

Herald Tribune

INTERNATIONAL

PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

The World's Daily Newspaper

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London Saturday-Sunday, March 20-21, 1999

No. 36,094

TODAY
Widely Held Stocks, Page 15

Germany And France Said to Back Prodi for EU

Former Italian Leader Appears Front-Runner To Replace Santer

By Alan Friedman
and Barry James
International Herald Tribune

France and Germany have agreed that their first choice for president of the European Commission is former Prime Minister Romano Prodi of Italy, according to European officials.

The joint choice, which was discussed Friday morning during a meeting in Paris among President Jacques Chirac, Prime Minister Lionel Jospin and the German chancellor, Gerhard Schroeder, means that the European Union's two most important member nations are likely to back Mr. Prodi.

But EU officials in Brussels stressed that the nomination was not a given and that a special summit conference would be held to discuss the issue.

In Rome, Mr. Prodi addressed his candidacy in public for the first time late Friday, saying he was "available" for the job, but adding that he would accept only if offered a full, five-year term and given the freedom to run a "strong European program."

Already, Mr. Prodi, a political centrist and pragmatist with a background in economics and strong political ties with northern European nations, was considered the front-runner to replace Jacques Santer, who resigned early Tuesday along with the entire European Commission in the wake of an inquiry into fraud, corruption and nepotism.

After a meeting with Mr. Chirac and Mr. Jospin at the Elysee Palace on Friday, Mr. Schroeder said that he and Mr. Chirac were in agreement on a candidate for a new commission president, but said both France and Germany had decided not to disclose the name of their choice.

Soon after the Schroeder-Chirac meeting, Mr. Prodi met in Rome with Prime Minister Massimo D'Alema, who discussed the European Commission presidency on the telephone with Mr. Chirac, then announced for the first time that Mr. Prodi was Italy's official candidate.

Until Friday, Mr. Prodi had remained silent on his future, in part because he is leading a new Italian political movement that has irritated Mr. D'Alema and his Democratic Left party.

Mr. Schroeder, speaking after talks with Mr. Santer, said he wanted a quick solution to the crisis and promised that EU leaders would discuss the subject during a Berlin summit meeting next week. Mr. Schroeder said, "It is always important in European questions that France and Germany should agree, and agreement on this will be achieved."

But he and Mr. Chirac failed to agree on cutting agricultural subsidies, leaving a major problem to be settled at the Berlin conference.

"To be frank, there are still differ-

See EU, Page 4

Massive Bomb in South Russia Kills at Least 62



Emergency workers carrying a bomb victim Friday from the wreckage of an open market in the city of Vladikavkaz. The Caucasian region is a hotbed of raids, murders, abductions and revenge attacks. Page 2.

Primakov, a Russian for All Seasons

By David Hoffman
Washington Post Service

The end was near for the Soviet Union as President Mikhail Gorbachev wavered in 1991 on whether to liberalize the economy further than it had gone under glasnost, or openness.

Vyevgeni Primakov met with Mr. Gorbachev at a Black Sea retreat and urged him to move toward market reform.

"It's the last chance," Mr. Primakov said, according to another member of Mr. Gorbachev's inner circle, Anatoli Chernyaev, who was present. "We must do some drastic things."

Seven years later, Mr. Primakov was catapulted into office as prime minister amid a political and economic

crisis. Russia's new market economy was reeling from a ruble devaluation in August and Mr. Primakov's outlook had markedly changed. "We can't go on waiting for the market environment to solve our problems," he declared.

Such is the long road traveled by Mr. Primakov, a supreme survivor of the Soviet and Russian political establishment who is, in effect, Russia's day-to-day ruler.

Once he was part of a small group of academics who believed they could gradually reform socialism, and the Soviet Union, from within. Now, after Russia's wrenching initial trial with the free market, Mr. Primakov is trying to stop the clock so what many regard as Russia's "wild capitalism."

See PRIMAKOV, Page 4

French Retailer Moves to Rescue Gucci

Move by Pinault Prompts Full Bid by LVMH for Italian Fashion House

By John Tagliabue
New York Times Service

ROME — A battle for control of Gucci erupted Friday when a wealthy French takeover investor agreed to pay \$3 billion for a 40 percent stake in Gucci and rescue it from a hostile bid by LVMH Moët Hennessy Louis Vuitton SA, the French luxury-goods maker.

But LVMH responded to the deal between Gucci and Francois Pinault, whose holdings include France's biggest department store, Converse sneakers and Samsonite luggage, by launching an offer for 100 percent of Gucci's shares.

The drama that ricocheted in moves and countermoves through the day pitted two of France's most powerful and most

unconventional capitalists against each other for control of Gucci, the hot item in the global fashion world. Mr. Pinault, who went to work in the family lumber yard at 16, has had a string of successful takeovers and is ranked among the richest men in the world. (Page 1)

It was the latest example of the new no-holds-barred dueling that is overtaking Europe as companies consolidate to meet the challenges of globalization and a unifying European market.

The shares of all three companies rose to record levels. Gucci shares rose as much as 6.8 percent, to 68.25 euros (\$74.34), before closing at 67 euros. LVMH rose as much as 4.2 percent before settling at 234.20 euros, after it announced it would bid for all of Gucci.

At stake for LVMH and its chairman, Bernard Arnault, was not only the potential loss of Gucci, a target it has been going after since January, when it began acquiring a 34.4 percent stake in Italian company. It also faced the possibility of competition from a strong new French-controlled luxury group built around Gucci.

For Mr. Pinault, the deal would be not only a lifetime extended to Domenico De Sole, chief executive of Gucci, who has been seeking a defense against LVMH,

but also the latest move in Pinault-Printemps' push beyond the bounds of its businesses of department stores, books, records and mail-order sales. Last year,

See GUCCI, Page 11

NATO Takes Steps Toward Air Strikes Against Serbians

Monitors Begin Leaving Kosovo; Bombing Could Start Next Week

By Joseph Fitchett
International Herald Tribune

Officials said air strikes could start early next week.

Western leaders have long threatened military action against Serbian military targets in Kosovo and in Serbia itself if Mr. Milosevic became the sole obstacle to a settlement. NATO strikes reportedly will be designed to cripple Serbian military strength and compel Mr. Milosevic to accept the settlement signed by the ethnic Albanians before the Paris talks ended Friday.

No further ultimatum to Mr. Milosevic will be issued, European officials said, explaining that their governments

See KOSOVO, Page 4

Balloonists Reach Middle Of Atlantic And a Record

By Malcolm W. Browne
New York Times Service

GENEVA — The Breitling Orbiter 3 balloon was less than one day's flying time Friday from achieving what had thwarted balloonists for two centuries: a nonstop voyage around the world.

The big balloon's pilots, Bertrand Piccard, a Swiss psychiatrist, and Brian Jones, a British balloonist, radioed a message to their ground crew headquarters at Geneva Airport that, for the first time in their 19 days aloft, they had begun to relax. It appeared virtually certain that a global circumnavigation was imminent.

The balloon team's meteorologists forecast that the balloon, now over the Atlantic after traversing Europe, Asia, the Pacific Ocean and Central America, would make landfall over the western Sahara Desert early Saturday morning. Forecasters said that by about 1400 GMT Saturday, the balloon would reach 9 degrees west longitude, marking the completion of a global circumnavigation that began in the Swiss Alps.

But Alan Noble, the flight director of the project, said at a news conference Friday evening in Geneva that the balloon may have enough fuel to continue on to Egypt, perhaps even to a landing near the Pyramids at Giza.

"Brian would love to land at that impressive place, and we would like it too, because there's a good network of roads in the Nile Valley and that would

See BALLOON, Page 4

AGENDA

Libya to Hand Over 2 Lockerbie Suspects

Libya will hand over to the United Nations by April 6 the two suspects in the 1988 bombing of an American passenger jet over Lockerbie, Scotland, President Nelson Mandela of South Africa said Friday.

Libya made the promise in a letter to the UN secretary-general, Kofi An-

nan, which Mr. Mandela read during a speech in Tripoli as the Libyan leader, Colonel Muammar Gadhafi, looked on. Reading from the letter, Mr. Mandela said Libya agreed that the suspects, if convicted, would serve any prison sentence in Scotland under UN supervision. Page 2.



MECCA-BOUND — Iraqi buses carrying some of the 18,000 Iraqi pilgrims en route to holy sites in Saudi Arabia. The Saudis resolved a UN-Iraq dispute Friday by agreeing to cover pilgrims' costs. Page 2.

Nostalgia Engulfs Clinton White House

In Political Twilight, President Is Still Combative but Sentimental, Too

By John M. Broder
New York Times Service

to his last hours on stage, as the spotlight shifts to the rising careers of Hillary Rodham Clinton and Vice President Al Gore.

Only a hundred yards from the convention hall where Mr. Clinton lingered in nostalgic reverie last Saturday sits Arkansas' Old State House, where Mr. Clinton and throngs of delirious thousands celebrated his two presidential election victories on crisp November nights. The weekend trip to Arkansas included a visit to Hope, where he dedicated his boyhood home as a historical shrine.

Last month, Mr. Clinton took a sentimental journey to New Hampshire, not only to boast the candidacy of Mr. Gore, but also to relive his own triumph seven years ago, when he overcame charges of adultery and draft-dodging to place a respectable second in the New Hampshire primary. That near-victory earned him the moniker of "Comeback Kid" and catapulted him to the presidency.

In his public comments and his

private ruminations, Mr. Clinton's mortality weighs heavily on him, as the poet John Keats put it, like unwilling sleep.

Though only 52, Clinton has lived the equivalent of three lifetimes in politics and soon will be one of the youngest ex-presidents ever.

Mr. Clinton spoke last Saturday in Little Rock of his "imminent retirement" and reminded his audience that life and human accomplishment are fleeting.

"When you strip it all away," Mr. Clinton said as a cold March rain fell outside, "it comes down to that — to humility, humanity, a sense of one's own mortality and one's own capacity for incredible dignity and glory."

But along with wistfulness there is remorse, too, and abiding anger. The time for public apologies is past — Mr. Clinton issued near-weekly expressions of regret in the final months of the Monica Lewinsky saga — but the pres-

See CLINTON, Page 4

In Hong Kong, a Growing Sense That Tycoons Skew Competition

By Philip Segal
International Herald Tribune

HONG KONG — On any morning, a typical resident here may wake up in an apartment developed by one of handful of billionaire Hong Kong property owners, take a bus to work owned by one of the same tycoons, and make a mobile phone call along the way over a tycoon-owned network.

On the way home, he may stop off at one of the two dominant grocery stores or pharmacies owned by tycoons, go to the post office to pick up a package

partly because it has one of the world's lowest tax rates and few trade barriers, the reality of its domestic economy is another story. It features a rash of anti-competitive restrictions and one of the weakest competition regimes in the developed world.

Calls by Hong Kong's independent Consumer Council for a competition authority to monitor the government's handing out of licenses and contracts have been rebuffed by government officials, who contend that they are well able to police industry themselves. Yet, the dispute continues.

"In the course of discussions with trade bodies

and businesses, particularly small and medium enterprises, the Consumer Council has been made aware of the lack of a level playing field and a vulnerability to monopoly practices in some sectors of the economy, such as anti-competitive cross-subsidization, exclusive dealing, price discrimination, resale price maintenance and price-fixing," the council said in a recent submission to the legislature.

"Due to the fact that some very large and

See HONG KONG, Page 10



Clinton Aide to Review Atom Security Threats

By Walter Pincus
Washington Post Service

WASHINGTON — Under attack over accusations of Chinese espionage in the United States, President Bill Clinton has asked former Senator Warren Rudman to conduct a bipartisan review of security threats to U.S. nuclear arms laboratories during the last 20 years.

Mr. Rudman, a New Hampshire Republican who heads the president's Foreign Intelligence Advisory Board, was asked to conduct an inquiry in 60 days not only of the current security situation but also of "the way in which it has evolved over the last two decades and the steps we have taken to counter it."

By looking into the history on security at the Energy Department's nuclear laboratories, the White House seems to be trying to dampen Republican criticism of its pace in responding to the spy accusations, focusing attention as well on the Reagan and Bush administrations' reactions in the 1980s to critical security reports.

Republican congressional leaders have accused the Clinton administration in particular of reacting too slowly to indications in 1995 that information from Los Alamos National Laboratory got into Chinese hands in the mid-to-late 1980s and may have helped China more swiftly develop miniature nuclear warheads, several of which could be carried by a single ballistic missile.

In response, Energy Secretary Bill Richardson and other administration officials have insisted that they tightened security regulations in 1998 after officials realized the seriousness of the suspected breach. But the Republican attack has continued, with some critics seeking to connect the apparently slow reaction to other accusations that Mr. Clinton's 1996 re-election campaign accepted money from donors connected to the Chinese government.

Mr. Rudman will put together a four-person task force from his 12-member

advisory board and will trace the security situation from the past to the future, sources said. The panel is to include Sidney Drell, a professor and deputy director of the Stanford University Linear Accelerator Center. Mr. Drell is also a member of the University of California panel that supervises operation of the nuclear weapons laboratories that are run by the university under a contract to the Department of Energy.

Sen. Richard Shelby, the Alabama Republican who heads the Senate Select Committee on Intelligence, said that the Rudman inquiry "sounds O.K." but added that his panel "will continue to probe more ourselves." As for looking back at earlier administrations, Mr. Shelby said, "I know the history of this is not just recent, but it probably has been exacerbated since the end of the Cold War."

One starting point for Mr. Rudman's panel could be a General Accounting Office report in October 1988 that warned the Reagan administration of "major weaknesses" in the foreign visitors program at the nation's nuclear weapons laboratories, including suspected foreign agents from Russia, China and other "sensitive" countries being allowed to make visits "without prior DOE knowledge."

The report by the General Accounting Office, the investigative arm of Congress, followed an inquiry by the Federal Bureau of Investigation into suspicions of spying at the Lawrence Livermore National Laboratory in the early 1980s and numerous internal Department of Energy studies critical of security.

But Brent Scowcroft, President George Bush's national security adviser, said laboratory security "was not an issue" during his time in office. Mr. Scowcroft said he was unaware of the accounting office report and was surprised to hear that articles were published about the accusations of Chinese theft of secrets about the neutron warhead at the laboratories.



Rachel and Jose Pelosso after being told by the FBI that their daughter's car had been found burned out.

Al Goldfarb/The Associated Press

POLITICAL NOTES

Patients' Rights Bill Rolls

WASHINGTON — A Senate committee has approved legislation to create a wide range of new rights for patients, but Democrats said the protections fell far short of what was needed to help people deal with insurance companies.

The question of patients' rights stir more public interest than many issues before Congress, and Thursday's battle was only the first stage of a conflict likely to continue into the elections next year.

By a party-line vote of 10 to 8, the Committee on Health, Education, Labor and Pensions approved the patients' rights bill and sent it to the Senate floor. On the floor, Democrats will try to force an open-ended debate on patients' rights and the techniques used by health maintenance organizations to save money. The bill was written mainly by the committee chairman, Senator James Jeffords of Vermont, and reflects the approach favored by most Senate Republicans. (NYT)

Mrs. Clinton Was 'Indicted'

LITTLE ROCK, Arkansas — Hillary Rodham Clinton was named in an indictment drafted by a top aide to Kenneth Starr, the independent counsel, but the document was never presented to a grand jury, and no charges were brought against

the first lady, the aide testified in U.S. District Court in Little Rock, Arkansas.

The disclosure came Thursday from W. Hickman Ewing, the deputy independent counsel, who was subpoenaed as the first witness for the defense in the contempt-of-court trial of Susan McDougal, a former business partner of the Clintons'. Mr. Ewing was not asked what charges he had specified in the draft indictment he drew up against Mrs. Clinton but he suggested that he considered her responses to questions put to her under oath as less than forthcoming.

"The OIC illegally leaked this information a long time ago," David Kendall, the Clintons' lawyer, said in a statement Thursday after Mr. Ewing's testimony. He was referring to the office of the independent counsel. "The mere fact that this prosecutor's office drafted a frivolous indictment three years ago has no significance whatsoever, except as a possible violation of the Paperwork Reduction Act of 1995." (NYT)

Quote/Unquote

President Bill Clinton, on the eve of his first formal, solo news conference in almost a year, joking with reporters at a Radio and Television Correspondents' Association dinner: "Forget the questions. Here are the answers. The longest peacetime expansion in history. No, I didn't watch it. No, I haven't read it." (AP)

House Backs Missile Plan

New York Times Service

WASHINGTON — Following the Senate's lead, the House has decisively approved a bill to field a system to defend the United States against a limited long-range missile attack.

Unlike a similar bill approved by the Senate on Wednesday, the measure adopted Thursday by the House, 371-105, simply embraces the principle of a national missile defense system.

The Senate version calls for installation of such a system "as soon as technologically possible."

The White House supports the Senate version, but not the House bill, because the Senate measure explicitly backs continued negotiations with Russia to reduce its still formidable nuclear arsenal.

Dennis Hastert, Republican of Illinois and speaker of the House, said the House would probably accept the Senate bill's language.

Firing a Foreign Policy Shot Across Clinton's Bow

By John F. Harris
and Helen Dewar
Washington Post Service

WASHINGTON — President Bill Clinton, say the Republicans, has played the chips in pressing closer relations with China. He has been headless, according to the party line, in his willingness to send U.S. troops to Kosovo. And, on issues from missile defense to Pentagon spending, he stands accused of taking a naively shortsighted approach to the dangers loom in the world.

These controversies are all signs of an unfamiliar sight springing up in recent days through Washington's political soil: a foreign-policy debate.

After a long season in which America's role overseas was a mostly dormant issue in domestic politics, congressional Republicans and Republican presidential candidates are on the offensive against the administration on multiple fronts.

It is a strategy, according to several of the party's leading foreign-policy voices, arrived at more by happenstance than design.

Moreover, even some Republicans acknowledge they are still too far from a consensus among themselves to mount a sustained critique of Mr. Clinton's foreign policy.

Even so, recent events have presented an uncommonly large number of opportunities to fire at the execution of the administration's policies —

from allegations of Chinese espionage at the Los Alamos nuclear lab in New Mexico to abortive efforts to fashion a peace agreement in Kosovo. With the Monica Lewinsky scandal receding, Republicans have eagerly seized the chance to puncture Mr. Clinton's post-impeachment political armor.

"Almost everywhere you look there are problems," said Senator Richard Lugar, Republican of Indiana and a senior member of the Senate Foreign Relations Committee. "Republicans have gained largely by raising the right questions, questions the American people want to have answered."

Neither Mr. Clinton's White House aides nor even most Republicans anticipate that foreign policy will be an issue on which the 2000 presidential or congressional elections will hinge. But both sides said there were signs that foreign policy may play a more prominent role than in recent elections. Above all, foreign policy is a place to gain traction against an administration — including its leader-in-waiting, Vice President Al Gore — that is less vulnerable on domestic issues because of the strength of the economy.

Many Republicans say their complaints with Mr. Clinton are not so much over basic tenets — there is broad agreement, for instance, between Republican leaders and Mr. Clinton on world engagement versus

isolationism. But there are long-standing complaints that his interest in problems — from Iraq to North Korea to Kosovo — is episodic, responding mostly to crises. Some believe his credibility in dealing with Congress and world leaders has been seriously strained by his failure to live up to previous public pledges on such issues as the length of the Bosnia deployment as well as by his misleading statements about his personal life.

"For some time, Republicans have been frustrated by our inability to show how badly this president has handled foreign-policy issues," said Senator Larry Craig of Idaho, who is chairman of the Senate Republican Policy Committee. "Now that they are collapsing around him, our ability is easier and we have a public that is a little more willing to listen."

It is not apparent, however, that Mr. Clinton is especially vulnerable on foreign policy. A president who arrived in office burdened by doubts about his fluency in foreign affairs and his credibility in commanding the military has over six years made significant strides with the public.

A study released this week by the Chicago Council on Foreign Relations, based on polling by the Gallup organization, showed that 55 percent of the public regarded Mr. Clinton's overall handling of foreign policy as excellent or good; that is up from just 30 percent at the end of 1994.

But this gradual improvement for Mr. Clinton, say polling experts such as Karlyn Bowman of the American Enterprise Institute, has not changed a larger reality that has prevailed for decades: The electorate generally tends to trust Republicans more on foreign policy. A new Washington Post-ABC News poll, for instance, showed that while Democrats retain an edge over Republicans in banding domestic policy, Republicans are favored, 46 percent to 38 percent, on foreign policy.

Republicans believe China policy has given them an opportunity to marry doubts about Mr. Clinton's foreign policy with larger doubts about his overall trustworthiness. For two years they have raised questions about whether his engagement policy toward Beijing was influenced by unprecedented levels of campaign contributions in 1996 from individuals with business interests in China. This winter's accusations that the administration may have played down evidence of Chinese espionage at Los Alamos have restoked that controversy.

Even so, Republicans have yet to synthesize their varied attacks on Mr. Clinton into a coherent critique.

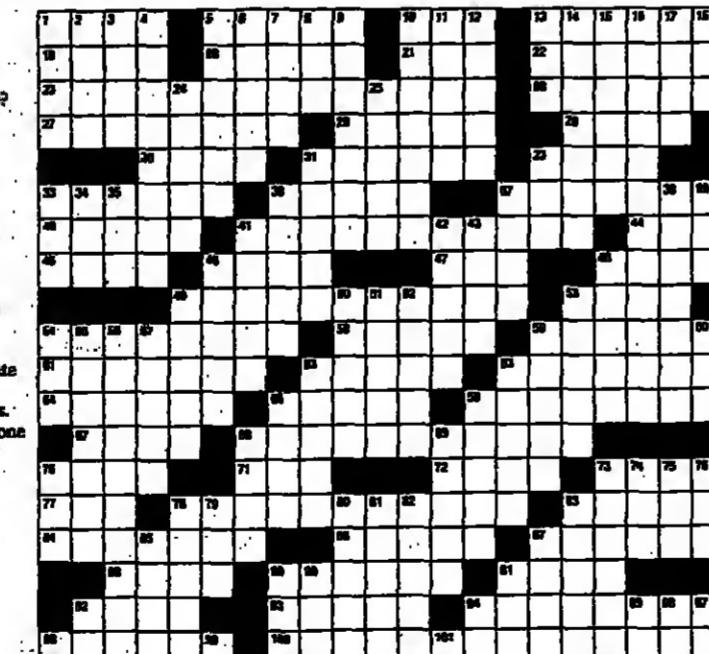
"There's a little consistency, but also a lot of opportunism," said James McCormick, an Iowa State University political scientist. "It's more episodic, and it's more reactive."

ST. ELSEWHERE By Lloyd E. Pollet

CROSS
1 Chew (out)
5 Roots, so to speak
18 —fi
13 Photo marrer
19 Sore
20 Lines on solar screens
21 The "O" of Cherries
22 Packing a wallop
23 Blessed side dish with her dog?
24 Bakery attractions
27 Rocketeers
28 Parts that are thrown away
29 Cleaner's challenge
30 Cat in a cattle drive
31 Cool cat
32 Sian —
33 German industrial family
34 Angling equipment
37 Submarine-launched missile
40 Exploration
41 To's hair-cutting equipment?
44 Singer Durrance
45 Woods critter
46 "Star Wars"
47 Site of a helix and antithesis
48 Hellenic letters
49 O. J. Simpson as a bard?
53 Portuguese king (1861-89)
54 Painter
55 Fencing action
56 Palindrome
57 Holes for strung-up artists
58 "Happy Days" character
59 Chili con carne ingredient
64 Natives of Monk's home planet

STOWN

1 Barbara, familiarly
2 "Bent" —
3 "Bent" (fict.)
3 "Fold up!"
4 Kegone, e.g.
5 Hostage situation
6 Roused
7 1980's British P.M.
8 Ceiling
9 Part of a school



Solution to Puzzle of March 13-14

1. Barbara, familiarly
2. "Bent" —
3. "Bent" (fict.)
4. Kegone, e.g.
5. Hostage situation
6. Roused
7. 1980's British P.M.
8. Ceiling
9. Part of a school

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Away From Politics

• A rental car driven by Silvana Pelosso and two friends who disappeared more than a month ago has been found burned out on a mountain highway north of Yosemite National Park, but no bodies were found. (AP)

• In a major legal victory for tobacco companies, a federal jury in Akron, Ohio, ruled that the companies did not have to repay dozens of union health and benefit plans in that state the costs of treating smoking-related illnesses. (NYT)

• One million carbon monoxide alarms are being recalled because they sometimes give inaccurate

readings, the manufacturer, Kidde Safety, and U.S. officials say. (AP)

• Rezulin has been linked to 28 deaths since the diabetes drug went on sale in 1997, according to Warner-Lambert, the drugmaker. Rezulin faces scrutiny from federal advisers next week. (Reuters)

• A California condor was found shot dead in Grand Canyon National Park. It had been released as part of a reintroduction program. (AP)

• A 15-foot aluminum pole fell 22 stories in Times Square, injuring three women. All were hospitalized in stable condition. (AP)

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KOSOVO: Monitors Leaving

Continued from Page 1

had convinced the Clinton administration late Thursday that any new diplomatic deadlines could impair Western determination and worsen the military situation on the ground in Kosovo.

The observers' departure could trigger military escalation in the province, and possibly tempt the Serbs or extremists ethnic Albanians to try seizing hostages among the 1,800 unarmed civilian observers working there under the auspices of the Organization for Security and Cooperation in Europe.

NATO has a 12,000-member extraction force under French command in neighboring Macedonia poised to rescue monitors in an emergency, but Serb forces have runned roads leading through the frontier mountains and could threaten a relief bid that relied on helicopters, analysts said.

Stressing the urgency of intervention, General Wesley Clark, the North Atlantic Treaty Organization supreme commander, warned Friday that another humanitarian tragedy was under way in Kosovo as more civilians were forced to flee their homes. This crisis, he said, was caused "entirely by an escalation of Serbian military and police activity."

The United States, Britain, France, Germany and Italy, five of the six nations involved in the Contact Group that sought to impose a political solution, agreed that the talks could not resume until the Serbs accepted the peace plan proposed by the group. Russia, alone in the Contact Group, insisted that the talks were only suspended, a stance that fit with Moscow's insistent opposition to NATO's plan for punitive air strikes against Serbia.

No timetable had been set for air strikes, said Christopher Hill, the U.S. diplomat who led the mediation effort, but French officials said that they expected NATO's secretary-general, Javier Solana, to get the green light for action quickly, perhaps as early as Sunday, when NATO ambassadors meet in Brussels.

French and British determination was echoed in Bonn, where a German official said: "My government is certainly not dragging its feet and sees no point in an ultimatum when developments on the ground seem so ominous."

But all these officials shared the concern voiced by a French policymaker, who stressed the military risks and political uncertainties confronting the United States and its European allies as they "cross a threshold into a confrontation with no guarantees about the timing or nature of its outcome."

NATO officials agreed, caving in contrast with Bosnia, where cruise missile strikes quickly persuaded the Bosnian Serbs to accept a cease-fire. NATO now is targeting regular Serbian forces, the core of the former Yugoslav Army, in their homeland, with air defenses — and an apparent desire to fight.

General Clark warned Friday that the NATO campaign would "not be a one- or two-bomb affair." NATO commanders were urging governments to compress the original plans, which called for a phased campaign to allow for a negotiating pause into new orders allowing General Clark to escalate quickly to overcome Serb resistance without needing fresh authorizations from allied governments.

Otherwise, NATO officials acknowledged, the initial missile attacks and even subsequent bombing could allow Serbian forces to step up their attacks on the Kosovar guerrillas and drive out the ethnic Albanian population from wider areas. Already, Serbian forces were being concentrated in and around Kosovo for what could be "a vast and violent onslaught," General Clark said.

Even more worrying for NATO planners is how long Western public opinion would support military action if Mr. Milosevic succeeds in riding out the military punishment while tightening his grip on power.



PRIMAKOV: Russia's Man of All Seasons, and Next President?

Continued from Page 1

Since taking office six months ago, Mr. Primakov has put Russia's economic reforms on hold. The tumultuous transformation from Soviet central planning to market capitalism remains an unfinished, overriding issue — and Mr. Primakov has deliberately suspended the madcap, winner-take-all gamble for riches of recent years.

Instead, he has harked back to an earlier day.

Mr. Primakov's rhetoric and goals have a distinctly Soviet ring.

- He has called for restoring a strong, central authority.

- His government has toyed with creating a new, mammoth state-owned oil company.

- He promised recently to double state subsidies for the failing coal industry.

- He has given the back of his hand to the oligarchs whose ascendancy became a symbol of President Boris Yeltsin's

era, and its greatest excesses.

But for the most part, even his close friends say, Mr. Primakov has just frozen the game. Privatization of state enterprises has slowed; a major overhaul of the troubled banking system is not in the cards and the ruble has continued to slide in value.

At the same time, the worst fears of Mr. Primakov's critics — that he would attempt to re-nationalize industry or touch off hyperinflation — have not been realized.

For months, Mr. Primakov has pursued a single goal, and he is going to Washington next week to try to further it. He wants to win agreement from the West for just enough financial aid to roll over the \$4.5 billion that Russia owes the International Monetary Fund this year on earlier loans.

That debt alone is a quarter of Russia's entire federal budget, and failure to arrange a deal could send the Russian economy spiraling further downward.

Russia's total obligations to overseas creditors are a crushing \$17.2 billion, and it already has defaulted on some Soviet-era debt.

"You are asking me why Primakov is doing nothing now?" said Vadim Bakatin, a former KGB director who was close to Mr. Primakov at the end of the Soviet era and is now a business man.

"Honestly, I have the same question. Maybe it is the result of 80 years of communism. Or maybe the result of eight years of this idiotic course. We are at the bottom of the abyss."

Within the next 15 months, and possibly sooner, the baton is to be passed from Mr. Yeltsin to a successor.

Yet few of the possible successors share the competitive market model that Mr. Yeltsin applied, meekly, and that has now been battered and discredited.

In a recent interview, Mr. Primakov again insisted "no, no, no" when asked if he would run for the presidency. But the 69-year-old prime minister, the epitome of canton, the only member of Mr. Gorbachev's team to survive in high office during the Yeltsin years, is already in the constitutional line of succession if Mr. Yeltsin should die or become incapacitated — and Mr. Yeltsin's health continues to be poor.

Once viewed as a caretaker, Mr. Primakov has become a political force to be reckoned with.

Among potential rivals to lead the country, his public opinion ratings are high.

"He is not thinking about retirement and building a nice dacha so he can spend time with his grandchildren," said a prominent Moscow academic who has known Mr. Primakov for nearly 30 years.

But where would Mr. Primakov, who spent most of his life in a step-by-step advance toward the top of the Soviet hierarchy, take the new, and newly tattered, Russia?

What drives the former intelligence chief who is known as charming and witty in private but ponderous and inscrutable in public?

Mr. Primakov's own history and events of recent months offer some clues.

They suggest a portrait of a master of back-room maneuvering who is a stranger to the limelight of electoral politics, of a bureaucrat trying to blend some old Soviet economic techniques with Russia's proto-capitalism; of a politician who would like to impose more authoritarian control over a country in which levers of power simply no longer work; of a leader who, despite Russia's weakened status, seeks to rebuild the country's influence abroad.

Robert Demargaryan, a childhood friend and classmate, recited for the Russian magazine *Ogonyok* last year how Mr. Primakov missed the first week of classes in the first grade.

Fatherless, born in Ukraine, Mr. Primakov had moved to Tbilisi, Georgia, and lived in a small communal apartment with his mother, a gynecologist. A stern teacher informed the new boy that

Rubin Wary About Russia

New York Times Service

WASHINGTON — Treasury Secretary Robert Rubin has told a congressional panel that he suspected that much of the \$4.8 billion in loans sent to Russia last summer by the International Monetary Fund "may have been siphoned off improperly."

It was the Clinton administration's first public statement supporting accusations that bailout money simply helped wealthy Russian oligarchs move billions of dollars to Switzerland and other safe havens.

Financial regulators note that a huge flow of dollars left Russia immediately after the Fund's cash was delivered to the Russian central bank, suggesting investors were getting out before the ruble was permitted to collapse on Aug. 17.

The timing of Mr. Rubin's comments on Thursday was particularly significant because Russia's prime minister, Yevgeny Primakov, arrives in Washington next week on a mission to obtain the next installment of \$22 billion in loans.

It is unclear whether he will succeed, although there is growing pressure on the IMF to lend Russia just enough money to allow it to pay back several billion dollars that it owes to the Fund in coming months.

Mr. Rubin suggested that, despite endemic corruption and Mr. Primakov's seeming inability to put together an economic plan, the United States still had an interest in financially aiding the country.

the other students had already learned how to draw a slanting line, how to repeat in unison and how to count to 10. What could Yevgeny Primakov do?

"The small, very stocky boy, not the least intimidated, stood up and began to recite Pushkin," Mr. Demargaryan said.

"We were all stunned. We listened open-mouthed, and he kept reciting by heart. All of our achievements writing lines and little clichées gradually dimmed, became insignificant."

Mr. Primakov pursued Arabic studies at the Institute of Oriental Studies in Moscow. Later, he experienced family tragedy when his eldest son, Alexander, died of a heart attack as a soldier during a May Day parade in Red Square. His first wife, Laura, also died suddenly of a heart ailment, according to *Ogonyok*.

After stints as a journalist on state radio and television, Mr. Primakov moved to Pravda, the Communist Party newspaper, and in 1966 he was sent to the Middle East as a correspondent.

He reported on the ferment of Arab nationalism, including the final years of President Gamal Abdel Nasser of Egypt. During his four-year tour, Hafez Assad of Syria and Saddam Hussein of Iraq were rising to power.

The region was a Cold War battleground, and the Arab world a fertile ground for anti-Western regimes with whom the Soviet leadership sought closer ties.

In his dispatches, Mr. Primakov wrote enthusiastically of the Arab struggle against Western "imperialism."

"At that time, we all thought mistakenly, that this was the way for the Arab people to socialism — bypassing capitalism," recalled Tomas Kolesnicenko, a friend of Mr. Primakov's for three decades who was also a *Pravda* correspondent.

"We thought it was a new way, an example of the crisis of capitalism. It was our feeling."

The most searching questions now are Mr. Primakov's views on the economy and where he would take Russia if he became Mr. Yeltsin's successor.

Mr. Primakov has vowed repeatedly to rejuvenate the "real economy," and many agree that Russia's brief boom in recent years was fueled by illusory investments in stocks and bonds, and not in investments in industry, as he wants.

Mr. Primakov also forged a long-standing relationship with Saddam Hussein, who had become second-in-command in Iraq.

"Even back then one could not miss some of Saddam Hussein's character traits, which later on persisted and developed, when he became Iraq's only leader," Mr. Primakov recalled in a memoir.

"Toughness, bordering on cruelty, strong willpower, bordering on stubbornness, unpredictability in decisions and actions, achieving a goal no matter what. He was extremely suspicious."

Mr. Primakov and the Iraqi leader met many times over the next 20 years as the Soviet Union became a major arms supplier to Iraq.

Mr. Primakov was also close to the late Kurdish leader Mustafa Barzani and made many trips to the Kurdish enclave in northern Iraq.

Mr. Primakov had close ties to the KGB during his years as a journalist. Some have said he was a spy under the code name "Maxim."

But others speculate that Mr. Primakov, while cooperating with the spy agency, could not have been an actual KGB officer.

As a *Pravda* correspondent, they say, he was reporting to the Communist Party's policy-making Central Committee, and thus probably was not employed directly by the security agencies.

In Moscow, Mr. Primakov climbed rapidly through the ranks as an academic, although he would not become known for major research publications.

He was eventually chosen to be director of the prestigious Institute for World Economy and International Relations, succeeding Alexander Yakovlev, one of the architects of the economic and political reforms championed by Mr. Gorbachev.

Mr. Primakov's natural caution shaped his place in the political debate. He could be a progressive in his private talks with friends, but never to the point of going "over the brink," as one said.

EU:

Prodi Front-Runner

Continued from Page 1

ences of opinion between us on the agriculture package," Mr. Chirac said.

"There has been progress under the German presidency but it is not deemed sufficient or satisfactory by France."

In his role as EU president, Mr. Schroeder was visiting European capitals seeking consensus both on a commission president and the complex issue of reforming the EU's finances to permit the expansion of the Union from 15 to up to 26 members.

Even the outgoing president, Mr. Santer, said Mr. Prodi would be the best man for the job. He told *La Repubblica* newspaper in Rome that Mr. Prodi "did great things when he was prime minister in Italy, proving his determination and tenacity, taking his country into the euro," the European single currency.

Mr. Santer said Mr. Prodi was "a definite European."

"Moreover," he said, "he is able to satisfy the two main European political tendencies: the left and the center. There is no better man."

Later Friday, Mr. Schroeder traveled to Brussels from Paris for further consultations with Jose Maria Gil Robles, the president of the European Parliament, which has veto rights over the choice for commission president.

Mr. Prodi's demand to be appointed on a "noncontemporary, nonprovisional and unconditional basis" posed a problem for the Parliament, which would insist that his proper confirmation should come after the election of a new assembly in June.

A senior European government official said Friday that the nomination of Mr. Prodi "does not mean it is a done deal because there is still support from Sweden and the Beclux countries for Wim Kok."

Mr. Kok, the Dutch prime minister,



Romano Prodi, the former Italian prime minister, says he is "available" for the job of European Commission president only if the appointment is made on a "noncontemporary, nonprovisional and unconditional basis."

does indeed have support for the job, but few Europe-watchers believe it would be possible for the Dutch to control both the European Central Bank, where Wim Duisenberg is president, and the European Commission.

The filling of a job of this magnitude involves a series of shifts and trade-offs. It is one of several important posts likely to become open in the next few months, including a new high representative for foreign and security affairs, the president of the European Investment Bank, the secretary-general of the Western European Union and the secretary-general of the North Atlantic Treaty Organization.

The commission said Prime Minister Jean-Claude Juncker of Luxembourg had announced on television that the Social Christian Party's leadership had named Mr. Prodi to head the list. It said Mr. Prodi had replied that he was honored to accept. As a result, Mr. Prodi is bidding to join the institution that, in effect, toppled him.

Mr. Santer plans to run for a seat in the European Parliament in June, Reuters reported Friday from Brussels. The commission said that Mr. Santer had agreed to head the list of Luxembourg's Social Christian Party in the June 13 poll.

The commission said Prime Minister Jean-Claude Juncker of Luxembourg had announced on television that the Social Christian Party's leadership had named Mr. Prodi to head the list. It said Mr. Prodi had replied that he was honored to accept. As a result, Mr. Prodi is bidding to join the institution that, in effect, toppled him.

Speaking by radio to a hundred or

BALLOON: British-Swiss Team Reaches Mid-Atlantic and Record for Flight Duration

Continued from Page 1

help us reach the landing site quickly," Mr. Noble said.

On Friday night the balloon was cruising eastward some 34,000 feet (10,363 meters) high in the core of a jet stream that was carrying it along at about 100 miles (160 kilometers) an hour.

At least 20 attempts by balloonists to circle the earth have been made during the past decade alone and all but one have failed for short. Besides a place in the record books, the two balloonists stand to gain a \$1 million prize and the Budweiser Cup, offered by the Anheuser-Busch Brewing Co. to the first balloonist

to circle the world nonstop.

In his radio message, Mr. Piccard disclosed that on Thursday he and Mr. Jones had come to believe that they, too, would fail and would be forced to make a landing at sea near the coast of Belize before heading out over the Atlantic Ocean.

"The wind was slow and blowing in the wrong direction, we were cold, very tired, and feeling sick. Nothing was going right," he said. But then Mr. Piccard, who had been unable to sleep for days at a time, used a technique of autophysiopsia he had developed while practicing psychiatry to put himself to sleep for a while. From then on he and Mr. Jones were no longer despondent.

That's how he internalizes it in his mind," said one close associate of the president. "Many will differ, but that's what keeps him going each day. He's got to get up each morning to run the world, and that's how he does it."

For most politicians, the impeachment inquiry and its revelations would have been devastating. But for Mr. Clinton, it was but the latest in a career of public indignities and embarrassing disclosures. Mr. Clinton has responded

consistently — with denial and denunciation of his opponents.

Mr. Stephanopoulos, in his new book about Mr. Clinton, "All Too Human," said that Mr. Clinton saw himself as the "target of unscrupulous enemies who would try to destroy him personally because they opposed his policies."

That in turn, justified everything the Clinton camp did in reply, Mr. Stephanopoulos wrote — lying, intimidation, hitting back.

"In a weird

ART

City of the Future

New York Grapples With 'Civilized' Design

By Herbert Muschamp
New York Times Service

NEW YORK — Architecture or real estate, what's it going to be? Does New York have room for both? These are the basic questions raised by the Canadian Center for Architecture's competition to redesign an important piece of land on the west side of midtown Manhattan.

And these questions open up other questions in turn. Why must New York invest so much money, time and energy in the vain pretense that architecture and real estate are the same thing? Wouldn't it be cheaper, not to mention more culturally invigorating, just to put the city back on the map as a center of architectural thought?

Conceived by Phyllis Lambert of the Canadian Center, a powerhouse of architectural culture in Montreal, the West Side project is the first in a series of competitions to be held every three years. Each will address the needs of a different city around the world. The winner will receive \$100,000.

The overall aim of the program is to stimulate new ways of thinking about the design and planning of cities for the 21st century. In New York, the goal is to set a high architectural standard for an area that seems destined for major commercial development in the near future.

The last three decades have been a golden age for architectural preservation in New York. It is pleasing that the city is approaching the millennium with an extraordinary appreciation for the history it has passed through to get there. But this has not been an era of opportunity for architects, in Gio Ponti's words, "to interpret the life of the inhabitants, transforming it into an expression of civilization and culture." This competition offers an opportunity to interpret life on the threshold the city is now crossing.

The site — a tangle of railroads, storage depots, tunnel entrances and highway overpasses — is a 12-block

The goal is to set a high standard for a major development.

corridor stretching from Eighth Avenue to the Hudson River. It is bounded on its southern edge by 30th Street, on the north by 34th.

The finalists will have a hard time matching the robust appeal of this infrastructural display. Ringed along its western edges by parking lots, car repair shops and industrial lofts, the area is a frayed remnant of industrial New York, part of the city's vibrant cultural mix that now seems all the more precious as working class Manhattan fades further into memory.

Developers have shunned the area as commercially uninviting. But city officials regard this as a major development corridor. In January, Mayor Rudolph Giuliani proposed building a sports stadium here, along with a relocated Madison Square Garden. The site also includes the James Farley Building, now home of the General Post Office but soon to house a new Penn Station, designed by Skidmore Owings & Merrill, along with the Manhattan terminal for a new rail link to Kennedy International Airport.

With projects like these in the works, along with the strip's proximity to the existing Javits Convention Center, it is hard to imagine a better site for demonstrating that despite their considerable differences, architects and real estate developers share a common stake in the future of New York.

The competition finalists were chosen from more than 150 submissions from around the world. They include Cedric Price of Britain, the elder statesman of the group; Peter Eisenman of New York; Thom Mayne of California; Ben van Berkel of Amsterdam; and Jesse Reiser and Nanako Umemoto, part of a group of young architects who have come to be known as the blobmeisters for their work with advanced computers.

All the finalists have wrestled with the tension between the design of individual buildings and the planning of the larger city. All have designed buildings during a period when city planning, particularly in the United States, has fallen into general collapse.

Casting Light on a Baroque Sculptor

By Roderick Conway Morris
International Herald Tribune

ROME — Alessandro Algardi and Gianlorenzo Bernini, the two leading exponents of Roman baroque sculpture, were born within months of each other in 1598. But whereas Bernini's star has never set, Algardi, whom some of his contemporaries regarded as the superior artist, has sunk into comparative obscurity.

Algardi has never before had a show devoted entirely to his work, and "Algardi: The Other Face of the Baroque," which is principally curated by Jennifer Montagu (and continues at Palazzo delle Esposizioni until April 30), is something of a revelation.

Born and trained in Bologna, Algardi spent several years in Mantua, where he had the opportunity to immerse himself in the Gonzaga dukes' superb art collection, which included fine classical pieces, an experience that stood him in good stead for the rest of his career.

By the time Algardi got to Rome in 1625, Bernini's precocious brilliance and sparkling personality had won him the devotion of the Barberini Pope Urban VIII and a virtual monopoly on important commissions dispensed by the Vatican. Indeed, Bernini was, as one Italian writer put it with suitably baroque extravagance, like a "dragon jealously watching over the Gardens of the Hesperides," making certain that no others could "make off with the golden apples of papal favor."

The new arrival did, nonetheless, manage to launch himself in Rome, initially by undertaking restorations of classical statuary, notably for Cardinal Ludovico Ludovisi — and one of these statues, now at the new Palazzo Altemps museum, has been loaned to the show. Algardi even collaborated with Bernini on the rebuilding of a statue from an ancient torso, the former carving the missing limbs and the latter the head.

Not was Algardi entirely without supporters among his fellow artists, being befriended by his fellow Bolognese, the painter Domenichino and the Tuscan Pietro da Cortona.

Algardi's talents in due course became sufficiently evident for him to obtain major commissions for portrait busts of some of the prominent figures of the Roman scene. And the gathering here of surviving terra-cotta models and finished works from collections in Italy, England, Germany and Russia make abundantly clear why Algardi was so admired by connoisseurs during his lifetime.

He was a supremely skilled modeler in clay and wax and, in the case, for example, of a pair of busts of the Pamphilj Pope Innocent X, the terracotta model is clearly superior to the finished marble apparently executed by one of Algardi's expert studio assistants. And for all their restraint in contrast to Bernini's more flamboyant productions, Algardi's ability to convey the underlying bone structure of his subject's faces lends his portraits an uncannily immediate presence.

Algardi's consummate control over the three-dimensional realization of human anatomy is equally revealed in a very unusual survival — a life-sized, unfired clay model, coated with colored wax, of Christ on the cross, from the Vatican. This figure is positively startling in its lifelike, or rather deathlike, power and captures a horrifying vision of a tortured human being. It evokes an overwhelming feeling of pathos.

While Bernini seems seldom to have thought otherwise than on the grand scale, Algardi, as a 17th-century commentator complained, "wasted" days on end making models of "putti, figurines, heads, crucifixes and ornaments for jewelers." In fact, no other prominent Roman sculptor of the epoch expended such energy on smaller-scale works. Many of them, as Jennifer Montagu points out in the invaluable catalogue (which also provides a guide to other Algardi works not in the show), were probably intended to be cast in silver, but most of these have been lost, having been melted down in times of war and necessity.

HAPPILY, a considerable number of models and bronze versions have come down to us. Once again the modeling is marvelous, the anatomical sense faultless and the dynamic impression of movement in figures and drapery breathtaking.

The death of Bernini's champion, Urban VIII, in 1644, after a reign of more than 20 years, and the accession of the Pamphilj Innocent X was a setback for Bernini, yet did not prove of such instant advantage to Algardi as might have been expected. However, Innocent's nephew, Cardinal Camillo Pamphilj (who was soon to renounce the cloth and marry), did commission Algardi to design a lavish palace amid extensive gardens on a charming site on the Janiculum hill, now known as Villa Pamphilj.

The sculptor was not practiced as an architect and appears to have worked in



Algardi's bronze sculpture of Saint Michael overcoming the demon.

collaboration with Girolamo Rainaldi, although the overall conception remained Algardi's. The exterior facades of the villa incorporated numerous antique sculptures and the initiate stucco-work of the interiors also drew on Roman models. Algardi brought a sculptor's sensibility to every stage of the project, achieving an effect that is complex, yet balanced and harmonious — creating in the process a monument to the successful marriage of the coolly

classical and more sumptuous baroque. No visitor to Rome can fail to see and be impressed by Bernini's grandiose colonnades embracing the vast space of the piazza before St. Peter's. Few in comparison ever set eyes on Villa Pamphilj and its more humanely proportioned gardens, which are, however, a great favorite with the today's Romans and a fitting memorial to an artist who, as this exhibition highlights, repays more attention than he has for a long time received.

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PUBLISHED WITH THE NEW YORK TIMES AND THE WASHINGTON POST

Missile Defense Slowly

The Clinton administration has capitulated to Republican pressure to begin building a missile defense system at the earliest technologically feasible date. It was a political decision, designed to shield the White House from accusations in next year's campaign that it was complacent about protecting American security.

Although the need to develop such a system is real, the rush to put one in place invites wasteful spending and could undermine critical arms reduction treaties with Russia that are no less important to America's defense. To avoid those mistakes, the White House must now manage this program with great care.

So far, the damage is mainly symbolic. But to prevent more serious harm, the administration will have to stand up to Republican simplifications on the issue in the campaign. President Bill Clinton has said he will decide in June 2000 whether a defensive system should be built right away or deferred to a later date. It seems unlikely that a working system will be ready by then, and Mr. Clinton must not let himself be stampeded into approving construction prematurely.

Proponents of a missile defense system no longer talk about Ronald Reagan's overly ambitious notions about space-based weapons that can knock out thousands of incoming Soviet missiles. At issue now is a much more limited, ground-based system meant to

shield against a handful of missiles launched by unpredictable countries like North Korea. Since North Korea successfully tested a long-range missile last year, there has been a strong case for an accelerated effort to design an effective missile defense.

Intercepting and destroying an incoming missile before it descends through the atmosphere is a daunting technological challenge. The target is small and traveling at 15,000 miles (24,000 kilometers) an hour, much faster than a bullet. It must be hit accurately and reliably. All but two of 15 tests so far have failed. Research efforts should be intensified.

The past week's congressional votes pushing the program will make it harder to work with Moscow on nuclear weapons issues because the House and Senate in effect declared that arms control now has become a secondary consideration for the United States. A limited missile defense system would not be very effective against a country like Russia, which still has nearly 7,000 nuclear warheads that can reach the United States, but convincing Moscow of that will now be much more difficult.

Administration should have held its ground on this complex and serious issue, but it can still exercise restraint. An expensive system of unproven reliability should not be built, even with an election bearing down on Washington.

—THE NEW YORK TIMES

Overselling China

The Clinton administration likes to tout its policy of engagement with China, but a different kind of engagement has been oddly missing from its reaction to reported Chinese espionage. You would expect President Bill Clinton, Vice President Al Gore and other stewards of America's nuclear secrets to be indignant — why not angry? — at what China has done. But, faced with evidence of a serious breach with potentially damaging consequences to U.S. security, their chief response has been to dodge blame and make excuses. It is demeaning. "Well, first of all, on the law enforcement matter that you raise, please keep in mind, that happened during the previous administration," Mr. Gore told CNN. "That happened back in the 1980s."

Everyone understands that governments spy on each other and that the alleged theft of nuclear secrets did indeed take place before Mr. Clinton's term. But people also expect their leaders to make clear, when such a theft is uncovered, that they find such behavior intolerable, and to take immediate steps to prevent a recurrence.

Instead, what followed the initial suspicion was a bureaucratic, almost lackadaisical response best illustrated by a letter to The Washington Post from former Energy Secretary Federico Peña. Mr. Peña "completed an extensive review," briefed many officials, started implementing changes. "Why didn't he just slam shut the door?"

The administration claims that it responded adequately, yet in the past week or so, as the scandal has mushroomed, it has announced many more steps to improve security at federal weapons labs. Either the first steps were not enough or the new measures are excessive; it would seem that the administration cannot have it both ways.

—THE WASHINGTON POST

Endgame for Samaranch

Perhaps the Olympic movement should create an event for those who excel at just getting by. If it did, Juan Antonio Samaranch, president of the International Olympic Committee, surely would have won a gold medal this past week. Despite his declaration of victory over bribery and corruption at the close of the organization's meeting on Thursday, the actions and reforms ratified were quite meager.

True, there was some progress. Six IOC members who had taken bribes were defrocked, and site selection for the 2006 Olympics was insulated from corruption by creating an impartial panel to pick two finalists for the full IOC to choose from.

But Mr. Samaranch, who has presided over the mess, declined to resign and instead orchestrated an overwhelming vote of confidence from the committee that he has largely assembled. His minions punted when the IOC agenda turned to lasting reform

—THE NEW YORK TIMES

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International Herald Tribune, 181 Avenue Charles-de-Gaulle, 92321 Neuilly-sur-Seine, France.
Tel: (1) 41-53-00-00. Fax: Subscriptions: (1) 41-53-02-12; Advertising: (1) 41-53-01-38.

Editor for Asia: Michael Richardson, 5 Canterbury Rd, Singapore 119800. Tel: (65) 473-2334.
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S.A.S. as capital de 1.200.000 F. RCS Nanterre B 732021126. Commission Paritaire No. 6137.

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Thailand Has Put the Economic Crisis to Good Use

By Thomas L. Friedman

BANGKOK — I last visited Thailand 15 months ago when its economy was in a tailspin. The country was on its way into the history books as the first domino of the 1997-1998 global economic crisis. What a difference a year makes! Thailand is still not out of the woods financially, but the situation has stabilized and the country is on a growth path again.

What is most striking is the degree to which Thai political reformers, who were hit hard by the economic crisis, now view it as an enormously useful turning point for their country.

There is a notion floating around that countries like Thailand, South Korea and Indonesia were all doing just fine until the ugly, greedy forces of globalization disrupted them. This is pure nonsense. They were all accidents waiting to happen.

This will freely tell you today that they had a corrupt, crony-capitalist system with no transparency, a plethora of insider dealings, a less than democratic regime and a public often living beyond its means. And what the global economic crisis did was expose the rot and force changes — democratizing changes — that the traditional elite families and power brokers were resisting.

So many of the Asian Tigers never

had real bankruptcy laws because everyone was just growing. They were like towns with only maternity wards and no funeral homes. But corporate funeral homes are critical to clean up a rotten economy, and now Thailand has them, as well as a whole new set of laws banning insider dealings and voting buying by officials.

"The economic problem here was political in nature," said Mr. Kavi, "and it could not be solved without changing these bad politicians. Without this external pressure we could never have broken the hold of 50 families over the Thai economy, we could never have reformed the banking system so quickly."

"We underestimated globalization, we thought we were at the top of the world because we had escaped colonization. We had resisted the British, so who needs to worry about globalization? We were wrong, and now we are catching up."

The changes are still accompanied by lots of political wrangling, but in the end they are being "built on a real political consensus," says a Thai investment banker, Teera Phutratkul.

Still, elements of the traditional bureaucracy and powerful families are fighting a rear-guard action that will

gain momentum if the economy does not start growing faster. Growth in 1998 was a negative 8 percent, but is expected to bounce back to a positive 1 percent in 1999. There is relatively little unemployment, because many people fall back on their villages or family networks and are sharing jobs to get by. But there has been a sharp drop in incomes.

If robust growth does emerge, though, the Thai example could be hugely influential in Asia. It would declare that the country that reformed its economic and political system the furthest and deepest enjoys the most stable recovery and attracts the most foreign investment.

You can bet that the autocrats in China, Vietnam, Burma, Malaysia and Indonesia will all be watching. "If we can succeed economically, we can be like a reverse domino in the political sphere," said Mr. Kavi. "The lesson will be that Thailand survived the crisis the best because it adopted the best democratic reforms. If that happens, and I am Burma, I would be worried. If I am Vietnam, I would be worried. If I am China, I would be worried."

The New York Times

This Policy Amounts to Appeasement of North Korea

By James A. Baker 3d

HOUSTON — Hold on to Tuesday's agreement between the United States and North Korea does not validate the success of the Clinton administration's North Korea policy. Indeed, since the agreement calls only for the right of American investigators to visit one suspect nuclear site, one that the North Koreans have had a year to sanitize, it probably doesn't even get U.S. policy "back on track."

It is a pity, because taxpayers will have to pay for this small concession with hundreds of millions of dollars' worth of food and oil. Soon they may be asked to pay even more simply to get North Korea to comply with international agreements.

The only positive thing that could be said about the latest agreement is that it will probably avert a short-term crisis. But at what price? It will make the United States even more reluctant to adopt a more muscular approach and thus could actually increase the risk of war on the Korean Peninsula. And the North Koreans may well conclude that their bad behavior will continue to be rewarded.

In sum, the Clinton administration's approach to North Korea, a policy of appeasement, continues to fail.

William J. Perry, the former defense secretary, who was a first-rate public servant and is the president's special adviser on North Korea, has just admitted about the North Koreans:

"What they're doing is moving forward on their nuclear weapons. They seem to have other programs under way that are part of a nuclear effort."

There is a long history of broken promises from North Korea. In 1985 it became a party to the Nuclear Nonproliferation Treaty, but it repeatedly refused

to sign the safeguards agreement required of all parties. It did not agree to sign until 1992, after it had seen the effectiveness of American military might in the Gulf. Still, from 1992 to 1994, North Korea refused to permit some international inspections required under that safeguards agreement.

In 1994, the Clinton administration changed the Reagan-Bush policy from one of resolve and strength to one of accommodation, over the unstated objections of the government of South Korea.

That year, the United States entered into a pact called the Agreed Framework under which North Korea promised to stop developing nuclear weapons and the United States and its allies, South Korea and Japan, promised to reward North Korea with hundreds of thousands of metric tons of oil each year and with a \$2 billion light-water nuclear reactor, all at no cost.

The Agreed Framework, in effect, rewarded North Korea for its promise to allow inspections at some unspecified point years down the line — the very same inspections that it was obligated to permit under the international agreement it had signed two years earlier.

Now, according to Mr. Perry, we see that North Korea was continuing to develop nuclear weapons all along. Once again, America has been duped.

This did not have to happen. When evidence was discovered, from 1992 to 1994, that North Korea was moving forward on nuclear weapons, Washington panicked, bowing to North Korea's threats to turn Seoul into a "sea of fire" and changing U.S. policy by 180 degrees. Instead the United States should have

not rule out the use, again, of nuclear deterrence.

This is a message North Korea would have understood. The need is to return to a policy that contains all of these elements.

Mr. Perry has said he will present the president with two separate recommendations. One will suggest a path to follow if North Korea agrees to cooperate. The other will consist of stern steps to be taken if North Korea rejects the proposals.

As far as the first recommendation goes, it is hard to fathom how anyone could put credence in any agreement by North Korea, particularly since it has recently fired missiles over

the picture.

One is the latest quadrennial, always acute poll of public opinion and foreign policy by the Chicago Council on Foreign Relations. Taking the temperature toward the end of Bill Clinton's impeachment ordeal, the poll found him ranking in a foreign policy approval rating higher than any that Ronald Reagan or George Bush ever enjoyed.

Not that Mr. Clinton has earned it all by his own heroics. He has surely floated on what the Chicago report, directed by John Riely, describes as a general feeling of prosperity and security. It may be unearned

political income for Mr. Clinton, but it is income all the same.

The report found most Americans supporting a policy of "guarded engagement" in the world, moderating their enthusiasm for an active world role with a reluctance to support use of U.S. troops abroad.

This dovetails with the mixed but finally positive approval in the House of Representatives on March 11 of the Clinton administration's plan to send American troops into embattled Kosovo in a peacekeeping role.

For anyone with even a faint recollection of the impassioned struggle over "war powers" during the Vietnam War, the daylong, full-House Kosovo debate was a political landmark. It put a congressional imprint on a president's policy dealing with the always tattered issue of sending American soldiers on a war mission.

It also produced a victory for a Democratic president's chancery intervention initiative in a Congress controlled by the Republican opposition. The very definition of bipartisanship, you might say.

You would be wrong. Mr. Clinton won the votes of 90 percent of House Democrats but only of 20 percent of House Republicans. A change of six votes would have cost him the hammer of his Kosovo policy.

As it was, the approval was laced with a dozen or more demands for presidential statements on the U.S. interest, cost, exit strategy and the like. These demands augur plenty of presidential-congressional friction as time goes on.

The new House speaker, J. Dennis Hastert, set a quiet but fair-minded course that, in the otherwise partisan circumstances, was bound to disarray fellow Republicans looking for

Japan continued its belligerent rhetoric toward South Korea and blackmailed the United States into paying for the opportunity to carry out inspections.

Mr. Perry's second recommendation is equally questionable. Why should North Korea take seriously any threat coming from this administration about sterner measures, given the many times in foreign policy and security matters that its rhetoric has not been matched with resolve?

The writer was secretary of state under President George Bush. He contributed this comment to The New York Times.

Kosovo: Congress Belongs on Board

By Stephen S. Rosefeld

WASHINGTON — The early talk is of foreign policy becoming something of an albatross around the Democrats' neck in the 2000 presidential election. China, Kosovo, Saddam, the works. But it pays to look at a couple of other matters that tend to complicate the picture.

One is the latest quadrennial, always acute poll of public opinion and foreign policy by the Chicago Council on Foreign Relations. Taking the temperature toward the end of Bill Clinton's impeachment ordeal, the poll found him ranking in a foreign policy approval rating higher than any that Ronald Reagan or George Bush ever enjoyed.

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And then, being the modest Mike Mansfield he always has been, he adds this commentary on his own performance: "A lot of wind."

His hallmark, what has made him loved as much as he is respected, is his kindness and self-effacement. In the days when he ran the Senate, he relished coming onto programs like "Meet the Press," listening to us pompous journalists formulate endlessly verbose questions, and answering "Yes" or "No." And then he would grin mischievously as we scrambled for a follow-up.

When he was ambassador, he astonished the Japanese by serving tea to his guests himself. He loves to tell the story of the Japanese Fulbright scholar who was entertained in this fashion before leaving for the United States, and returned for a similar visit a year later.

"I must tell you," the guest said, "that when I told my wife the ambassador himself had served me tea, she fainted!"

He has an uncanny knack of finding exactly the right word. When the conversation at lunch turned to American foreign policy, he called it "haphazard." That is better than 3,000 words from Henry Kissinger.

And it is about as tough as Mr. Mansfield ever lets himself be. He does not go overboard, either in praise or in condemnation, so when he says that Governor Marc Racicot of Montana would make a wonderful Republican vice presidential candidate

EUROPE

From Lumber to Leather, With a Line in Winning Swisscom To Jettison Asia Units

Bloomberg News
PARIS — Francois Pinault has come a long way from lumber to leather.

One of the wealthiest investors in France, Mr. Pinault on Friday moved to become the largest shareholder in Gucci Group NV in a deal that would create a luxury-goods company capable of rivaling Bertrand Arnault's LVMH Moët Hennessy Louis Vuitton SA. If the plan holds up — and Mr. Arnault has other intentions — it would foil LVMH's effort to gain control of the Italian fashion house.

Gucci bags and shoes, which can cost as much as \$1,000 in its boutiques, are the latest upscale purchase by Mr. Pinault, who started in business at his father's lumberyard. He has shown a taste for luxury in the past: His other holdings include the art auction house Christie's International PLC, the Bordeaux vineyard Chateau Latour and Vail Valley, a ski resort in Colorado.

"Pinaut has now turned Prinault-Printemps into a luxury-goods group," said Patrick Leguil, head of research at KBC Securities in Paris. "This is definitely a challenge to Arnault."

Mr. Pinault, 62, owns 42 percent of Prinault-Printemps-La Redoute SA through his holding company Artemis, which is private and does not publish accounts.

In a related move, Artemis agreed to pay Sanofi SA \$6 billion francs (\$1 billion) for Sanofi Beauty, a business

that includes Yves Saint Laurent clothes, perfumes and cosmetics.

"Like building things, and this is a chance to create a large global group," Mr. Pinault said.

Analysts said that Domenico De Sole, the chief executive of Gucci, turned to the French businessman to fight off Mr. Arnault because Mr. Pinault has a reputation of leaving companies alone after he acquires them. Within Prinault-Printemps, FNAC, the electronics store, and the mail-order house La Redoute run themselves independently.

Mr. Arnault, by contrast, had said he planned to make changes at Gucci even though its profit has been rising.

Mr. De Sole said Prinault-Printemps was "the ideal partner."

"They support the management of Gucci to become a force in the luxury arena and offer us the independence we need to grow," he said.

Analysts said that because Prinault-Printemps was doing the buying, Mr. Pinault was buying Gucci for business reasons. For purchases that are closer to his heart, such as Chateau Latour and Christie's, he uses Artemis.

In 1991, Forbes magazine ranked Mr. Pinault the 35th-richest man in the world, with a net worth of \$6.6 billion. He has amassed an art collection with paintings by Jackson Pollock, Mark Rothko and Andy Warhol, as well as sculptures by Henry Moore and Pablo Picasso.



The principals shaking hands. From left, the designer Tom Ford, Mr. De Sole, Prinault-Printemps' Serge Weinberg and Mr. Pinault.

Unlike many French business leaders, Mr. Pinault did not go to a top university or do a stint in the civil service. He left school at 16 to work in the lumberyard.

In the 1970s, when many French lumberyards were going out of business, Mr. Pinault began buying them up and turned them around by upgrading their products and seeking export markets.

In 1991, he won 66 percent of the department-store company Printemps. Minority shareholders were

enraged, and French law was changed shortly after to force companies to bid for all outstanding shares when buying control of a company.

In 1993 he pulled off another coup, buying a 10 billion franc portfolio of junk bonds that Credit Lyonnais SA was forced to sell. He made up to a 50 percent gain on some, and the purchase also gave him control of such U.S. companies as Samsonite, the suitcase company, and Converse, the maker of athletic shoes.

In 1995, he sold Printemps to a Dutch company.

Pinaut canceling its offer.

The counteroffer sparked the possibility of an all-out battle.

"Probably, it's war," said Jean-Marie L'Hôte, who follows luxury goods at BNP Securities in Paris.

A spokeswoman for Prinault-Printemps in Paris said the company would not comment.

Mr. De Sole, who left Paris on

Friday evening, issued a statement saying that Gucci's board would evaluate the LVMH offer at a meeting Sunday. The board was to meet to approve Gucci results for the 1999 financial year, which are to be published Monday. Mr. De Sole, who earlier described himself as "ecstatic" over the Pinault deal, said merely, "This is a matter for the board."

GUCCI: Fashion House Dodges LVMH With \$3 Billion Bid From French Retailer

Continued from Page 1

Mr. Pinault paid \$1.2 billion to acquire Christie's International PLC, the art auction house.

The skirmishing began early Friday, when Prinault-Printemps-La Redoute SA announced it would pay \$3 billion — or \$75 each — for 39 million new Gucci shares in a deal that would give the company control of 40 percent of Gucci. At the same time, Pinault-Printemps said it had bought, for \$1 billion, the beauty-products units of Sanofi SA, which includes the Yves Saint Laurent fashion house and Van Cleef & Arpels and Oscar de la Renta perfumes, and would offer them to Gucci.

Serge Weinberg, chief executive of Prinault-Printemps, said the plan

was to use Gucci as a "platform" for the formation of a big luxury-goods group. The group would be run by Mr. De Sole and Gucci's fashion designer, Tom Ford, who would use the \$3 billion pocketed for the new Gucci shares to make further acquisitions, Mr. Weinberg said.

Gucci, which is incorporated in the Netherlands but has its operations in Italy, had mounted a defense against LVMH by offering employees stock options that would have diluted LVMH's share to about 25 percent. LVMH challenged the move in an Amsterdam court, and the court froze both companies' voting rights pending a final decision in April.

Last week, Gucci and LVMH unexpectedly struck back, announcing a bid for all of Gucci shares. LVMH did not say what price it would offer, and it said the bid was contingent on

LVMH executives were surprised by the Pinault announcement Friday. In Amsterdam, James Lieber, who was to represent LVMH at the talks in Amsterdam, reacted angrily, "Gucci has once again taken action that has created a hostile environment," he said. Mr. Lieber said LVMH was examining its options and would contest the Pinault offer in a Dutch court.

Then later Friday, LVMH unexpectedly struck back, announcing a bid for all of Gucci shares. LVMH did not say what price it would offer, and it said the bid was contingent on

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WORLD STOCK MARKETS

Friday, March 19
Prices in local currencies;
in euros for EMU countries.

Totals
High Low Close Prev.

Amsterdam 1,125.00 1,125.00 1,125.00 1,125.00

Frankfurt 1,122.00 1,122.00 1,122.00 1,122.00

Paris 4,915.00 4,915.00 4,915.00 4,915.00

London 1,125.00 1,125.00 1,125.00 1,125.00

Madrid 1,125.00 1,125.00 1,125.00 1,125.00

Kuala Lumpur 1,125.00 1,125.00 1,125.00 1,125.00

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Toronto 1,125.00 1,125.00 1,125.00 1,125.00

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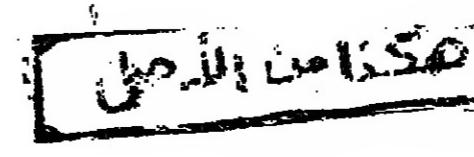
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Friday's 4 P.M. Close
The 2,300 most traded stocks of the day.

The 2,300 most traded stocks in the way.
Worldwide prices not reflecting late trades elsewhere.

The Associated Press

Continued on Page 14



NASDAQ

Friday's 4 P.M.
8 most traded National Market securities
in terms of dollar values, updated twice a year.

NYSE

Friday's 4 P.M. Close (Continued)

(Continued)

Friday's 4 P.M. Close
The 150 most traded stocks of the day
up to the closing on Wall Street.
The Associated Press.

MONEY

SATURDAY-SUNDAY,
MARCH 20-21, 1999
PAGE 15

MONDAY:
SPORTS

E-mail address: moneyrep@ih.com

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The Stocks You Love

When asked to talk about widely held stocks, one market professional asked if he could comment on issues with large market values instead. His initial reluctance illustrates how the financial establishment often fails to understand the mind-set of the individual investor. This week, the Money Report looks at the stocks that real investors are likely to own.

Of course there is a lot of overlap between the worlds of large-capitalization and widely held stocks. Big companies have a lot of outstanding equity, and most investors diversify their portfolios. Yet the categories are not identical, especially outside of the United States.

In most of the world, telephone companies are held by a wide base of investors. In Europe and Asia, this reflects recent privatizations of formerly government-controlled entities, but the American AT&T Corp. has been in private hands for more than a century, sought by many for the generous dividends and steady revenue that reflected its near monopoly.

Competition now abounds, yet telecommunications issues remain among the most popular of stocks. One reason is that these companies have to be high-tech as well as high-yield.

After telecommunications, banks are popular, and public utilities too, notably in Japan. All kinds of technology companies feature prominently in the United States.

The list below represents art as much as science. Numbers, especially in Europe, are hard to come by, and even official corporate data can be misleading, as many of the record holders are brokers acting on behalf of stockholders. To compile our list, we relied on a combination of reported data and professional consensus.

The Most Widely Held Issues

United States

Rank	Company	Market Value (\$B)
1	AT&T	100
2	Microsoft	75
3	General Electric	60
4	Lucent Technologies	55
5	Intel	50
6	BankBoston	45
7	Lucent	40
8	Microsoft Corp.	35
9	IBM	30
10	General Mills	25

Global Companies

Rank	Company	Market Value (\$B)
1	AT&T	100
2	Microsoft	75
3	General Electric	60
4	Lucent Technologies	55
5	Intel	50
6	BankBoston	45
7	Lucent	40
8	Microsoft Corp.	35
9	IBM	30
10	General Mills	25

Canada

Rank	Company	Market Value (\$B)
1	Motorola	10
2	IBM	5
3	AT&T	3
4	Microsoft	2
5	General Mills	1

Mexico

Rank	Company	Market Value (\$B)
1	Motorola	10
2	IBM	5
3	AT&T	3
4	Microsoft	2
5	General Mills	1

Japan

Rank	Company	Market Value (\$B)
1	Motorola	10
2	IBM	5
3	AT&T	3
4	Microsoft	2
5	General Mills	1

Pacific

Rank	Company	Market Value (\$B)
1	Motorola	10
2	IBM	5
3	AT&T	3
4	Microsoft	2
5	General Mills	1

Widely Held Stocks: Lots of a Good Thing in U.S.

By Aline Sullivan

INVESTING in widely held stocks in North America means joining a very, very big crowd. It also means shelling out a lot of money. Microsoft Corp., for example, is priced around \$175 a share, or an astonishing 67 times current earnings.

Microsoft has about 70,500 individual shareholders, according to its latest annual filing with the U.S. government, though the real number is probably much higher because many investors probably have their holdings at brokerage houses. At Merrill Lynch & Co., the biggest American brokerage, Lucent Technologies Inc. is the most widely held stock, and the phone equipment maker's filing said it had 1,76 million separate owners overall. Like Microsoft, investors pay for the privilege of owning its shares, at just over \$100 apiece or 82 times its latest annual earnings.

Are they worth it? Yes, some professional investors say. These are the region's most liquid stocks and, more importantly in the very liquid U.S. market, the best analyzed. Unpleasant surprises are rare. Sure, they are expensive. Some, notably Coca-Cola, are arguably too expensive. But most are likely to remain on this list for some time yet.

"Anyone who considers themselves a long-term investor should have a healthy helping of these stocks," said Peter Canelo, U.S. investment strategist at Morgan Stanley Dean Witter & Co. "The fundamentals of the U.S. are still fantastic: We have a much leaner and more competitive economic system than anywhere else in the world, and our stock market is proof of that."

Even those who take a pessimistic view of the market say that widely held stocks are the ones worth owning long term.

Richard McCabe, chief market analyst at Merrill Lynch & Co., said: "Most of these stocks are overbought right now so wait until the spring to invest or employ dollar-cost averaging to invest a bit at a time. But the major trends still look good for these companies, particularly for the high-tech ones."

A glance at the list shows just how much high technology has captured the imagination (and wallets) of North Americans. Add telecommunications companies, most of which are on the cutting edge of Internet developments, and you have accounted for half the list.

"High tech is what we do best," Mr. Canelo



said. "These are the fastest-growing companies in the U.S., and they are likely to stay that way."

He is bullish on Cisco Inc., which he describes as "laying out the plumbing" for the Internet. AT&T Corp. and Lucent are good, low-risk Internet-related plays, he said, while Intel Corp., Oracle Corp. and Microsoft are all likely to retain their market shares and keep growing.

But exciting investments are often confined to the computer industry. Anyone who strolled a yawn and bought General Electric Co. stock a couple of decades ago as safe long-term investment has had the pleasure of watching the

value of the stock soar as the company trans-formed itself from a manufacturer to a high-margin information services conglomerate.

Merrill Lynch analysts this week reiterated their buy rating on GE, predicting that earnings will grow by at least 8 percent over the next two years, with the GE Capital financing unit likely to report even faster growth.

Citigroup Inc. is another investor favorite.

"There is going to be a tremendous boom in consolidation among financial companies in the U.S. as we deregulate," Mr. Canelo said. "Citigroup will be a big beneficiary of that."

Overseas Buyers Discover the New Favorites Among American Issues

By Judith Rehak

MOVE OVER, IBM and GE. The likes of Amazon.com and Lucent Technologies are winning growing numbers of shareholders from outside the United States.

For years, solid blue-chip companies with globally recognized names, including International Business Machines Corp. and General Electric Co., have been the preferred means of wealthy, conservative Europeans investing in the United States.

"They're a major group of investors, and generally they like to buy and hold their stocks," said Guillaume Tournemire, who handles mostly French accounts at Marquette Debary Co., a New York investment boutique.

Even as the bull market has driven American

blo-chips sky high, Europeans continue to buy them, he said, in part because they feel they must diversify their portfolios if the benefits of Europe's monetary union are endangered by political and economic problems.

At the same time, Mr. Tournemire said he is seeing a new generation of European investors entering the picture. Generally in their early 30s and avid fans of the Internet, they are flocking to the U.S. markets to get in on high-tech stocks like Amazon.com Inc., eBay Inc. and Yahoo! Inc. that are either unavailable or thinly traded in Europe.

"It reflects a bit the American market, in that there is the same kind of frenzy," Mr. Tournemire said. Some of these high-tech buyers also have some American-bred objectives. Many are employees of high-tech companies operating, but not listed, outside the United States. Well aware of Americans who became wealthy by buying shares in the

start-up ventures of their employers, they are buying shares on the U.S. market, he said.

It is a similar story with Asian investors, according to Michael Kennedy, president of the Bank of America's investment management group. Although they have recently turned much of their attention to Japan and Korea, when it comes to investing in the United States, high-tech is favored.

"The more aggressive clients are in the 'dot-com' issues, and the more conservative would be in less direct beneficiaries of the Internet, like Cisco, AT&T and IBM," he said.

The connection between technology-wise investors and U.S. stock preferences is even more dramatic at Charles Schwab.

The brokerage's European on-line investors were sending a whopping 60 percent of their U.S. trades to Nasdaq, the home of most high tech stocks, where they favor a "lot of the

Internet stocks" said Guy Knight, Schwab's European marketing chief.

Still, there is little doubt that the conservative, wealthy investor dominates the scene. An executive with a Swiss brokerage in New York confirmed that his clients are overwhelmingly in favor of names they recognize, like IBM, General Motors Corp., and even big retailers like Wal-Mart Stores Inc.

"Big stocks have earnings visibility and that's what they want," he said. "They want to be able to read news about them in their newspapers at home." Only the "grown up" technology companies like Microsoft and America Online Inc. elicit interest from his conservative clientele. And those small U.S. companies? "We tried once to introduce some, but it wasn't successful," he said.

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Government Stakes Muddle Picture for Asian Perennials

By Philip Segal

FOR ASIAN governments outside Japan, markets with large, widely dispersed stocks are not always seen as a good thing. The Hong Kong market was famously liquid and laissez-faire until August, but the largest shareholder of the largest stock is now the government itself. Singapore may be moving to deregulate its market, but different barriers exist there for investors seeking to buy a lot of stock: foreign ownership limits that mean overseas investors have to pay more to locals to buy in the country's banks.

It is worth remembering that even in the largest Asian markets outside Japan, the dollar-value of stock under discussion are tiny. The gap is followed by ABN-AMRO NV's "Jack and Bill index," which looks at total market capitalizations in Asia as a percentage of the capitalizations of General Electric Co. and Microsoft Corp. (the index is named after the American companies' chairmen, Jack Welch and Bill Gates).

Outside of Japan, the largest Asian market is Hong Kong, but as of mid-February, the entire Hong Kong market was worth just 44 percent of GE and Microsoft combined. The figure for Thailand was 5 percent, and for South Korea, one of the best-performing markets over the past year, 15 percent.

Despite the diminutive markets, there are a handful of stocks that are large and widely held by any standard, the biggest of which is HSBC Holdings PLC with a market capitalization of \$67.3 billion Hong Kong dollars (\$36.11 billion) and 175,000 shareholders at the end of last year. Now trading at three times book value, it makes up a staggering 28 percent of the benchmark Hang Seng Index.

Perhaps recognizing that the bank is getting too big for the Hong Kong market, HSBC said in February that even though its stock is already traded in London, it would be seeking a listing in New York as well. The stock is widely held, though the largest shareholder

is now 70, and although he remains in control of his empire and is apparently in good health, no management regime can last forever. Only Mr. Li could have sewn up an exclusive deal to develop most of China's ports between Hong Kong and Shanghai.

When that dealmaker is gone, what kind of premium will Hutchison command?

In the meantime, Hutchison can boast a \$1 billion pile of cash. In the past week, speculation has mounted that Mr. Li was preparing to make a major purchase, after Hutchison and Cheung Kong sold their stakes in two companies of the Jardine Matheson group for \$208 million. Hutchison may be getting ready to bid on port contracts in Spain or Latin America, to add to its international holdings at the Felixstowe port in Britain and at one end of the Panama Canal.

As a result of bad lending stemming from the Asian crisis, the bank had to make \$2.8 billion in provisions last year. Despite the chance of more such provisions, analysis still tends to like the stock.

"In a year when HSBC's traditional earnings base has been weighed down by economic woes in the Asian economies, the achievement of 6 percent underlying profit growth and 15.5 percent return on average equity is impressive," said Raymond Lee, head of research for regional financial institutions at Salomon Brothers Inc. He rates HSBC "outperform," a notch below "buy."

While HSBC is as much a core holding for British bank portfolios as it is for Hong Kong investors, Hutchison Whampoa Ltd. is the core holding" of any purely Hong Kong portfolio, said Otto Chan, head of sales at Salomon Brothers Barney. Hutchison, with a market capitalization equal to \$31.64 billion, represents the ports, telecommunications, energy and retailing empire of tycoon Li Ka-shing. In the past year

THE MONEY REPORT

The Numbers Add Up Well at NTT

By Miki Tanikawa

THREE'S GOOD reason for Nippon Telegraph & Telephone Co., the dominant local phone network operator, to the most widely held stock in Japan. In fact, analysts say, its extensive ownership is one reason that investors should have an exposure.

"The telecom story you are seeing globally is equally true here in Japan," said Thomas Rodes of Dresdner Kleinwort Benson (Asia) Ltd., "with a little bit of time lag. As Internet use goes up, as new services are rolled out over the fixed-line network — such as data, video, phone — the companies that benefit the most are those that own network monopoly. If you have monopoly and control access to people, you are valuable. And that's NTT."

NTT is popular with fund managers, not just because its prospects are good, Mr. Rodes said, but also because it is such a critical component of the benchmark Nikkei Stock Average.

"The size of the weighting in the index is so large that if you want to outperform the Nikkei as a fund manager, you need some NTT to match the overall composition of the index," he said.

Investors also should favor NTT if they are fans of NTT Mobile Communications Network Inc., commonly known as NTT DoCoMo, the top cellular carrier. It debuted on the Tokyo market in autumn in a massive 2.13 trillion yen (\$17.94 billion) initial public offering. NTT still holds two thirds of NTT DoCoMo.

"You have a monopolist that

owns a 67 percent of an oligopolist, and it can be a cheap way from an investor's standpoint point to buy DoCoMo's growth," Mr. Rodes said. He said the frenzy over NTT DoCoMo's debut has driven its shares so high that the parent company's stock, now trading at 1.16 million yen, does not fully reflect the value of its stake in the subsidiary.

But some analysts said that despite the optimistic outlook, NTT had trouble staying above 1.2 million yen in the late '80s, when bought in around 3 million yen in the late '80s, tend to sell at that level.

Still, Mr. Rodes sets a price target for NTT of 1.24 million yen by the end of March 2000.

Figuring prominently among widely held Japanese stocks are three of the 10 regional electric power companies considered among the most defensive issues in the Japanese market.

Electric utilities have generally performed inversely to the broad TOPIX index of stocks on the first section of the Tokyo exchange since 1983, according to Hiroshi Matsuda of Kokusai Securities Co. in Tokyo.

When the overall market dropped significantly last autumn, electric utility shares surged impressively. But when the crisis calmed, these issues edged down, since the beginning of this year, Mr. Matsuda said, they have significantly lagged the rise in the market index.

Professional investors are to blame for this pattern in utility shares, whose prices, he said, "have no relationship to their earnings."

Because many fund portfolios must include some stocks, Mr. Matsuda said, managers opt for the utility sector as an "equity invest-

ment of last resort," when market conditions are adverse. All 10 major Japanese power concerns sport triple-A credit ratings, reflecting their regional monopolies and secure sources of revenue. But while professionals flock to these stocks when times are tough, they sell them when they want to return to the broader market.

Mr. Matsuda said the signs that the Japanese economy might snap out of its recession bode poorly for the sector. But Gary Evans of HSBC Securities Japan Ltd. does not share that view.

"In many other countries in the '90s, utility companies have gone into restructuring quite significantly," he said. "We see something similar slowly happening in Japan."

The utilities have had a tendency to overspend on capital improvements, he noted, but there are signs they are moving to trim unneeded facilities and implement cost cuts. Mr. Evans said he was also impressed by the yields, ranging from 1.9 percent to 2.7 percent, for these electricity suppliers when the benchmark 10-year Japanese government bond is returning just 1.75 percent.

Railroad stocks also have extensive ownership. Of the three rail companies privatized in the mid-1990s, East Japan Railway Co., known as JR East, is the largest and the one with the greatest room for improvement, said Douglas Hayashi of HSBC Securities in Tokyo.

He cited potential cost-cutting and creative use of real estate assets that are part of major train stations in the Kanto area, which includes Tokyo.

Central Japan Railway Co. has a much narrower scope for development, Mr. Hayashi said, as 80 percent of revenue is from the bullet-train line linking Tokyo and Osaka.

One argument in favor of large-caps is

broadening your portfolio by owning large-caps that are out of favor.

They screened the S&P 500 for companies worth at least \$5 billion that were down at least 10 percent from their 12-month peaks and were not in one of the four top-performing sectors: communications equipment and services, technology, consumer cyclicals and health care. Then they selected only stocks that were at least 20 percent below their average long-term price-to-earnings and price-to-sales ratios.

That left these 10:

• Alcoa Inc. With an excellent record for growth (the dividend payout has doubled in the past five years), the aluminum company's stock trades at a modest P/E ratio of 15 times projected earnings this year, about half the average for the S&P.

• This course of action is imprudent and clearly dangerous."

But what if something fundamental has changed?

One argument in favor of large-caps is

that, in a global economy with lots of capacity, companies that have dominant market shares also have more power to raise prices. Another is that strong brands, recognized worldwide, have a big edge.

Ironically, large companies seem more flexible than small. They have more products in development, so if one fails, they can get another to market, wherever the market might be.

But at this point, betting on mega-caps exclusively is taking a big risk. The smart play, always, is sensible diversification. Mr. Warantz and Mr. Manley suggest

a year, according to Bloomberg News, but the P/E is only 15.

• PPG Industries Inc. The glass company's stock, with a yield of 3 percent and a P/E of 11 (despite long-term earnings growth of 10 percent annually), has tumbled by more than third since last May.

• Philip Morris Cos. Tobacco, of course, raises financial, legal and moral questions, and the stock has plummeted 28 percent this year. But the company, which also sells beer and food products, is growing 14 percent annually and carries a dividend yield of 4.6 percent. It trades at a P/E of just 12 times projected earnings.

• RJR Nabisco Holdings Corp. Another cigarette and consumer products company, RJR has announced a spin-off of its tobacco business, and the future is unclear. Still, this may be an interesting buying opportunity. The stock carries a dividend yield of 6.8 percent.

• Raytheon Co. The stock has fallen 7 percent over the past 12 months and now trades at a P/E based on 1999 estimated earnings of 15, even though historic growth at the maker of electronics for missiles and radar systems has been in double digits.

• Rohm & Haas Co. Stock in this maker of specialty chemicals used in everything from laundry detergents to cell phones pays a 2.2 percent dividend and carries a P/E ratio of 13.

• SLM Holding Corp. Earnings are rising at 14 percent annually at the provider of financing for students known as Sallie Mae, but the P/E is only 14.

• Schlumberger Ltd. A fast grower with a market value of \$33 billion, the provider of services to the energy industry has been hurt by the fall in energy prices.

Washington Post Service

JAMES K. GLASSMAN / ON INVESTING

Seeking Out the Undervalued Large-Caps

As Big Names Outpace Broader Market, Temptation Grows to Give Up on Diversity

A BROKER FRIEND of mine was grouching the other day, reflecting the frustration of many of his colleagues: "My clients just don't get it! They hear about the market being way up, but their stocks aren't. They want to know what's going on. But the truth is, only

He is right. A remarkable study by Salomon Smith Barney Inc. just found that over the past 12 months, three-quarters of all U.S. stocks were trailing the rise of the Standard & Poor's 500 index by at least 15 percentage points. High-visibility stocks are doing great, but the stocks that most people actually own,

are not. Last year, it returned twice as much as the average mutual fund.

This year, the trend is continuing. The Maryland-based research firm Wiesenberger found that while the S&P had produced positive returns for the first two months of the year, the average mutual fund was in negative territory. Only 60% of the 2,374 diversified American equity funds had beaten the index.

While I sympathize with the brokers, advisers and fund managers, they are paid well to handle criticism. I worry much more about small investors who are tempted to abandon diversification and target their portfolios toward an ever-narrowing slice of the equity market," as Jeffrey Warantz and John Manley put it in a Salomon report.

"This course of action is imprudent and clearly dangerous."

But what if something fundamental has changed?

One argument in favor of large-caps is

broadening your portfolio by owning large-caps that are out of favor.

They screened the S&P 500 for companies worth at least \$5 billion that were down at least 10 percent from their 12-month peaks and were not in one of the four top-performing sectors: communications equipment and services, technology, consumer cyclicals and health care. Then they selected only stocks that were at least 20 percent below their average long-term price-to-earnings and price-to-sales ratios.

That left these 10:

• Alcoa Inc. With an excellent record for growth (the dividend payout has doubled in the past five years), the aluminum company's stock trades at a modest P/E ratio of 15 times projected earnings this year, about half the average for the S&P.

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But what if something fundamental has changed?

One argument in favor of large-caps is

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Herald Tribune

SPORTS

SATURDAY-SUNDAY, MARCH 20-21, 1999

WORLD ROUNDUP

San Diego Catcher Is Out for the Year

BASEBALL The San Diego Padres starting catcher Carlos Hernandez will be out for the season after undergoing surgery to repair his ruptured left Achilles' tendon.

Manager Bruce Bochy said team trainer Todd Hutchison told him the tendon was completely torn. The surgery was performed Thursday night in San Diego. "It seemed to all go well," Bochy said.

Hernandez was injured after hitting a pop fly in San Diego's 7-6 exhibition victory against the Chicago White Sox on Wednesday in Tucson, Arizona. (AP)

Joe Torre, the New York Yankees manager, had surgery to remove his cancerous prostate gland and was expected to remain hospitalized for three to four days. Dr. William Catalona said he believed the disease had not spread. There is no timetable for Torre's return to the World Series champions, but Catalona said his patients typically go back to work 6 to 12 weeks after surgery. (AP)

Judge Explains Her View

BOXING The judge at the center of the controversial Lennox Lewis-Evander Holyfield draw said her view of the fight was obscured at times by photographers.

Testifying at a New York State Senate hearing, Eugenia Williams held fast in her belief that she had judged Saturday's heavyweight unification fight as she saw it. However, after watching a tape of the bout, she said would have scored it a draw, instead of 115-113 for Holyfield.

That scoring, though, would not have changed the ultimate outcome, as it would have been a majority draw. (AP)

Herron Leads at Bay Hill

GOLF Tim Herron shot a 6-under-par 66 to take the first-round lead at the Bay Hill Invitational in Orlando, Florida. Steve Lowery was one stroke back, followed by Dicky Pride at 68.

Vijay Singh, Justin Leonard, Tom Lehman and Davis Love 3d were among a large group at 69.

Defending champion Ernie Els was at 74, joined by Tiger Woods and Mark O'Meara. (AP)

South Africa in Command

CRICKET South Africa bowled out New Zealand for 222 on Friday to take command on the second day of the third test. South Africa was 24 without loss at lunch. (AP)



Jennifer Capriati hitting to Silvia Talaja in the first round of the Lipton Championships in Florida. Capriati won, 6-4, 6-3.

SCOREBOARD**BASEBALL****EXHIBITION BASEBALL**

Detroit 7, Cleveland 5
Tampa Bay 7, Boston 1

Minnesota 7, Texas 2, 7 Innings, 1st game

Minnesota 7, Texas 7, 7 Innings, 2nd game

Florida 5, Baltimore 4

Astros 2, Toronto 1

Los Angeles 9, St. Louis (ex) 3

Pittsburgh 7, Philadelphia 6

St. Louis (ex) 3, Montreal 2

Atlanta 11, Cincinnati 6

San Francisco 6, Seattle 7

Minnesota & Cubs 3

Kansas City 3, Houston 2

Montreal (ex) 1, New York Mets 7

Cincinnati 2, New York Yankees 1

Seattle 1, New York Yankees 1

BOSTON 1, NEW YORK METS 1

DETROIT 1, NEW YORK YANKEES 1

PHILADELPHIA 1, NEW YORK METS 1

ATLANTA 11, NEW YORK METS 6

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SPORTS

O'Neal Sets the Pace But Cavaliers Win It

The Associated Press
Shaquille O'Neal dominated the game, and the Cleveland Cavaliers won it.

O'Neal scored 37 points and grabbed 19 rebounds for Los Angeles, but that wasn't enough to overcome the Cavaliers, who got 20 points each from Shawn Kemp and Brevin Knight and 18 from Wesley Person to beat the Lakers 100-93 Thursday night.

The Cavs also received a big boost from the more than 20,000 home fans who packed Gund Arena.

"It was good teamwork," Kemp said. "The crowd came out tonight and gave us a lot of help out there. The fellows just picked away at it."

The Cavs have been playing without a true center since losing 7-foot-3 Zdenek Ilgaskas to injury and trading away Vitaly Potapenko.

But O'Neal's big night wasn't enough to offset the Cavs' balanced attack. Even 24 points from Glen Rice wasn't enough for the Lakers, playing their third straight game without Dennis Rodman, who left the team last week to attend to personal business.

The Lakers dropped to 10-2 under their new coach, Kurt Rambis.

Grizzlies 88, Timberwolves 81 The Grizzlies, at home in Vancouver, ended a 13-game skid as Bryant Reeves had 28 points and 13 rebounds, and Shareef Abdur-Rahim scored 11 of his 21 points in the fourth quarter.

"Well, thank God for that, that's all I can say," said Brian Hill, the Grizzlies coach. "I'm getting tired of losing basketball games. This was a character win."

Trailing 77-71 with 4:49 left, Vancouver outscored the Timberwolves 15-4 the rest of the way for its first victory since beating the Lakers on Feb. 23. Abdul-Rahim's fast-break dunk with 1:57 left gave the Grizzlies the lead for good at 78-77.

Jazz 96, Wizards 87 Howard Eisley scored 17 points, including 13 straight for Utah in the second half, and the Jazz won their sixth consecutive game.

Karl Malone added 24 points, including 12-of-12 from the line, as the Jazz took an 18-2 lead in Washington and never trailed.

Rod Strickland, back after missing six games with a groin injury, had 21 points and 11 assists for the Wizards.

Magic 86, Knicks 78 Michael Doleac scored 12 of his 16 points in the final quarter, and fellow rookie Matt Harrington was 6-for-6 from the line in the final three and a half minutes as Orlando won in New York for its fourth straight victory.

Avalanche 3, Hurricanes 2 In the final quarter, Turner Stevenson scored the go-ahead goal midway through third period, and Patrick Pilon had two assists in Montreal's victory over Nashville.

who ended the Knicks' three-game winning streak.

Bucks 98, Celtics 83 Glen Robinson scored 23 points, and Ray Allen scored seven of his 21 points in a 13-0 run late in the game in Milwaukee as the Bucks snapped a four-game losing streak.

Rookie Robert Traylor had his best game with 14 points for Milwaukee, while Antoine Walker led Boston with 16 points.

Blazers 104, Nets 88 Toni Kukoc had 21 points and 11 rebounds, and Ron Harper scored 10 of his 18 points in the third quarter to lift the Bulls in Chicago.

It was their second victory in 10 days over the slumping Nets (4-19), who got 24 points from Stephon Marbury. New Jersey has lost 15 of its last 17.

Blazers 98, Kings 78 Portland held host Sacramento to 13 fourth-quarter points, and Rasheed Wallace led the Blazers with 25 points and 13 rebounds.

The Kings, who got 16 points and 20 rebounds from Chris Webber, led 75-74 with 5:15 left, but the Blazers went on a 14-0 run to put the game away.

Rodman Expected Back Soon

The Los Angeles Lakers expect Dennis Rodman to return to the team shortly, The Associated Press reported from Los Angeles.

"Apparently, he's making some progress taking care of the personal business he needs to take care of," said John Black, a team spokesman.

Asked if he expected Rodman to return to the Lakers before the team heads home, Black replied, "That we're not sure of; hopefully."



Iowa guard Jason Bauer scoring past Albert Mourning of Connecticut.

Avalanche Rumbles Over Hurricanes, 3-2

The Associated Press

DENVER — Joe Sakic had a goal and two assists and Milan Hejduk added a goal and an assist as the Colorado Avalanche won for only the second time in nine home games, beating the Carolina Hurricanes 3-2.

Adam Foote got his first goal since Feb. 14 for the Avalanche. Patrick Roy stopped 27 shots Thursday in winning his 40th game in the National Hockey League.

Ron Francis got his 40th goal and Andre Kovalenko his third goal in five games with the Hurricanes.

Canadiens 3, Predators 2 In Montreal, Turner Stevenson scored the go-ahead goal midway through third period, and Patrick Ponlia had two assists in Montreal's victory over Nashville.

Vladimir Malakhov and Vincent Damphousse also scored for Montreal, which won its third straight game after trading its leading scorer, Mark Recchi, to Philadelphia. Saku Koivu had an assist and cow had 12 points in as many games.

NHL ROUNDUP

regulation gave St. Louis a tie with Phoenix.

Coyotes 2, Blues 2 In St. Louis, Paul Demitra's goal with 7:42 left in

just inside the blue line at 11:00 to give Phoenix a 2-1 advantage.

Demitra salvaged the tie for the Blues 1:18 later when he scored his team-leading 32nd goal.

Mighty Ducks 4, Kings 2 In Inglewood, California, Paul Kariya had a goal and three assists, including two on goals by Teemu Selanne, as Anaheim defeated Los Angeles.

The Ducks have won a record-tying six straight against Los Angeles, dating to last season. Los Angeles saw its three-game winning streak end.

Guy Hebert stopped 37 shots but lost his shutout when Donald Adeotte's slap shot went through his legs at 11:37 of the third.

Selanne's second goal, at 16:51 of the third, tied Ottawa's Alexei Yashin for the NHL lead with 39 goals.

CALVIN AND HOBBS



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HATM

DAVE BARRY

Mounds O' Metal

MIAAMI — If there's one thing this nation needs, it's bigger cars. That's why I'm excited that Ford is coming out with a new mound o' metal that will offer consumers even more total road-squatting mass than the current leader in the humongous-car category, the popular Chevrolet Suburban Subdivision — the first passenger automobile designed to be right off the assembly line, visible from the Moon.

I don't know what the new Ford will be called. Probably something like the "Ford Untamed Wilderness Adventure." In the TV commercials, it will be shown splashing through rivers, charging up rocky mountainsides, swinging on vines, diving off cliffs, racing through the surf and fighting giant sharks hundreds of feet beneath the ocean surface — all the daredevil things that cars do in Sport Utility Vehicle Commercial World, where nobody ever drives on an actual road.

In fact, the interstate highways in Sport Utility Vehicle Commercial World, having been abandoned by humans, are teeming with deer, squirrels, birds and other wildlife species that have fled from the forest to avoid being run over by nature-seekers in multi-ton vehicles barreling through the underbrush at 50 miles per hour.

In the real world, of course, nobody drives Sport Utility Vehicles in the forest, because when you have paid upwards of \$40,000 for a transportation investment, the last thing you want is squirrels pooping on it. In the real world, what people mainly do with their Sport Utility Vehicles, as far as I can tell, is try to maneuver them into and out of parking spaces. I base this statement on my local supermarket, where many of the upscale patrons drive Chevrolet Subdivisions. I've noticed that these people often purchase just a couple of items — maybe a bottle of diet water and a two-ounce package of low-fat dried carrot shreds — which they put into the back of their Subdivisions, which have approximately the same cargo capacity, in cubic feet, as Finland. This means there is plenty of room left over for raze, on the way home, these people need to pick up a herd of bison.

Then comes the scary part: getting the Subdivision out of the parking space. This is a challenge, because the driver apparently cannot see all the way to either end of the vehicle. I drive a compact car, and on a number of occasions I have found myself trapped behind a Subdivision backing directly toward me, its massive metal butt looming high over my head, making me feel like a Tokyo pedestrian looking up at Godzilla.

I've tried honking my horn, but the Subdivision drivers can't hear me because they're always talking on cellular phones the size of Chicklets. ("The Bigger Your Car, the Smaller Your Phone" is their motto.) I don't know who they're talking to. Maybe they're trying to contact somebody in the same area code as the rear ends of their cars so they can find out what's going on back there. All I know is, I'm thinking of carrying marine flares, to warn Subdivision drivers that they're about to run me over.

Although frankly I'm not sure they'd care if they did. A big reason why they bought a Sport Utility Vehicle is "safety," in the sense of "you, personally, will be safe, although every now and then you may have to clean the remains of other motorists out of your wheel wells."

Anyway, now we have the new Ford, which will be EVEN LARGER than the Subdivision, which I imagine means it will have separate decks for the various classes of passengers, and possibly, way up in front by the hood ornament, Leonardo DiCaprio showing Kate Winslet how to fly.

I can't wait until one of these babies wheels into my supermarket parking lot. Other motorists and pedestrians will try to flee in terror, but they'll be stuck in by the Ford's powerful gravitational field and become stuck to its massive sides like so many refrigerator magnets. They won't be noticed, however, by the Ford's driver, who will be busy whacking at the side of his or her head, trying to dislodge his or her new cell phone, which is the size of a single grain of rice and has fallen deep into his or her ear canal.

And it will not stop there. This is America, darn it, and Chevrolet is not about to just sit by and watch Ford walk away with the coveted title of Least Sane Motor Vehicle.

No, cars will keep getting bigger. I see a time when upscale suburbanites will haul their overdue movies back to the videotape store in full-size, 18-wheel tractor-trailers with names like "The Vagabond." It will be a proud time for all Americans, a time for us to cheer for our country. We should cheer loud, because we'll be hard to hear inside the wheel wells.

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Watch for the
"untamed wilder-
ness adventure"
vehicle.

By Michiko Kakutani
New York Times Service

NEW YORK — Only two years ago, a report that two-thirds of America's leading universities had dropped the Shakespeare requirement for English majors in favor of courses on popular culture and gender studies prompted worries that the playwright — regarded by many leftist ideologues as the quintessential Dead White Male — was becoming a has-been, a victim of the commissars of political correctness and watered-down curricula.

Today, happily, it is clear that such reports of Shakespeare's demise were vastly exaggerated. He is still the most produced playwright in 1990s America, and in England he was recently voted in one BBC poll "the Briton of the millennium."

There are replicas of the Globe Theater in London and Tokyo, and in Germany his birthday prompts an annual celebration. As the scholar Jonathan Bate, author of "The Genius of Shakespeare," points out, the Bard has become "a world genius" with a "crosscultural appeal" that defies both the debunking of academic radicals and the stuffy canonization of traditionalists.

"Shakespeare in Love" — a witty movie that works an improvisation on the playwright's life — was nominated for 13 Academy Awards and shares a nomination for Best Picture with "Elizabeth," another film set against the backdrop of Elizabethan England.

These pictures are only the tip of the Shakespeare iceberg. Coming soon are a slew of movies based on his plays, including Julie Taymor's version of "Titus Andronicus" (with Anthony Hopkins, Alan Cumming and Jessica Lange) and a film adaptation of "A Midsummer Night's Dream" (with Calista Flockhart, Michelle Pfeiffer and Kevin Kline).

Certainly the fact that Shakespeare is a brand name, one who neither demands royalties nor contests rewrites, has something to do with this. But there is a latent power

to his work that has allowed successive generations of directors, critics and actors to continually reinvent him in their own image and to find new ways (some profound, some forced, some silly) of pointing up his relevance. Restoration critics emphasized his role as a dramatic playwright who addressed public and political issues. Romantics portrayed him, romantically, as the poet of melancholy and love. And modernists have stressed the difficulty of his work, its layered, contradictory meanings.

Just what is it about Shakespeare's work that accounts for his enduring ability to engage the popular imagination, his accessibility to so many eras and cultures? The usual reasons offered for his greatness — the richness of his language, the range and depth of his characterizations, the fecundity of his imagination — do not explain why he — rather than, say, Dante or Chaucer — has remained a household name. Nor do paeans to his storytelling gifts; after all, he lifted most of his plots from existing works.

In his controversial book, "Reinventing Shakespeare," Gary Taylor, an editor of an Oxford University Press edition of the playwright's works, suggested that the Bard owed much of his success to happy accidents of history. "If France had won its wars against England, if England like other countries had been culturally transformed by the upheavals of the late 18th century," he wrote, "then Shakespeare would almost certainly not have achieved or retained the dominance he now enjoys."

Shakespeare's current international reputation, in Taylor's view, was at least in part "the fruit not of his genius but of the virility of British imperialism, which propagated the English language on every continent."

There is something to the argument that the "myriad-minded Shakespeare," as Coleridge called him, has gradually been institutionalized, and that in becoming part of the English-language canon —



Paul Rudd and Helen Hunt in "Twelfth Night" last year.

taught in schools, cited in dictionaries, studied by scholars and laymen alike — he has insistently become our familiar.

We daily use phrases popularized by Shakespeare — "brave new world," "the primrose path," "sound and fury" — and even those of us who have never seen a play associate Romeo and Juliet with doomed love and Hamlet with

existential indecision. When we see a screwball comedy on the big screen, we are seeing updated variations on "A Midsummer Night's Dream." When we are made privy to the thoughts of characters on the television show "Ally McBeal," we are getting a jump-cut, MTV version of the old Shakespearean soliloquy. As Jane Austen once remarked of Shakespeare, "one gets

acquainted" with him "without knowing how."

In fact, his influence on other writers has been so pervasive that he has become part of the very literary air we breathe. Dostoevsky, Kierkegaard, Nietzsche, Freud, Baudelaire, Ibsen, Strindberg and Pirandello are just a few of the authors and thinkers indelibly shaped by Shakespeare. Nineteenth-century nihilism and 20th-century psychology, French existentialism and Emersonian self-reliance — all could be said to have seeds in Shakespeare's art.

The fact that such crucial writers and philosophers responded so ardently to Shakespeare, however, suggests that there was something in the playwright's work itself that was in tune with the modern Zeitgeist. The very style and structure of his work — mixing and remaking genres, fusing highbrow art and popular entertainment, breaking the fourth wall of the stage — prefigure our post-modernist outlook, just as his work's ambiguity and pursuit of plural truths resonate, as Bate argues, with our age of relativity.

The game-playing of Shakespeare's characters, their gender confusion, their romantic and familial disputes, their efforts to grapple with the contingency of reason and love, all seem peculiarly modern. Such spirited, independent heroines as Beatrice and Rosalind appear to have more in common with today's feminists than the circumscribed women of Elizabethan England, while such questioning heroes as Hamlet, so skilled in irony and self-dramatization, reflect the preoccupation with the self manifested by both the Reformation and contemporary America.

In his best-seller "Shakespeare: The Invention of the Human," Harold Bloom argued that the playwright was the first writer to give us portraits of human beings capable of change and growth. He brought psychology to the fore, Bloom suggested, while laying out an unsentimental, even nihilistic vision of a world of loss and flux.

PEOPLE

THREE writer William Trevor has been awarded the \$49,000 David Cohen British Literature Prize for lifetime achievement. He was given an additional \$16,000 from the Arts Council, which sponsors the David Cohen prize, to offer to a cause that would help young writers. Trevor, 70, asked that it be used as a scholarship fund for young writers from Omagh, the site of Northern Ireland's worst terrorist atrocity. "I have based this idea on my own indignation at a similar time in my life," he said. "It is, I believe, a time when creative people need most financial support." Some of his best-known novels are "Fools of Fortune," "Reading Turgenev," "My House in Umbria" and "Felicia's Journey."

□

A dress worn by Elizabeth Taylor to the Academy Awards in 1969 sold for \$167,500 at an auction to benefit AIDS research. The sleeveless crepe evening dress, whose periwinkle blue and violet colors matched Taylor's eyes, was bought by the toy maker Mattel Inc. Christie's auction house in New York

said it was the second highest price ever paid for a gown. The highest price, \$222,500, was paid in 1997 for a dress that Diana, Princess of Wales, had worn when she danced with John Travolta at a White House dinner in 1985. The 56 dresses being auctioned off Thursday were donated by actresses who included Lauren Bacall, Cher, Nicole Kidman, Julia Roberts and Susan Sarandon. Mattel plans to display Taylor's dress, which was designed by Edith Head.

□

Arnold Schwarzenegger has added a doctor as a defendant to his \$50 million libel suit over a supermarket tabloid story claiming that the actor was suffering from heart disease. A judge in Los Angeles ruled Tuesday that Arnold Fox, who was quoted by the Globe, could be included in the suit. The lawsuit was prompted by a cover story in August headlined "Arnie's Heart Crisis." But the actor had surgery in 1997 to replace a heart valve. The operation was "a complete success and he has made a full recovery," his spokeswoman said.

A public garden named after Diana, Princess of Wales, will open soon in the heart of Paris, Mayor Jean Tiberi said. The garden, in the Marais district on the right bank of the Seine, is to be inaugurated in the spring on a date yet to be set. "Parisians, who are very emotional people, wanted to pay a special tribute to this woman who won their attention through her dignity and commitment to charity," Tiberi told Reuters Television on Thursday. Diana died following a car crash in a Paris underpass in 1997.

□

A group of California teen-agers has given "There's Something About Mary" a dubious Hackademy Award for the comedy's portrayal of tobacco use, particularly in romantic scenes. "This is exactly the glamorous portrayal that we want Hollywood to cut out of the movies," said Dot Lundy, 18, of Hollywood High School. The 250 judges gave a thumbs-up to "Armageddon," starring Bruce Willis and Liv Tyler. Willis did not light up once in the film, despite the impending end of the world.



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